



JOE GQABI DISTRICT
MUNICIPALITY

DRAFT CONSOLIDATED ANNUAL REPORT

2017/18 Financial Year

January 2019

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CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

1.1 EXECUTIVE MAYOR'S FOREWORD

This Annual Report provides an account of the service delivery efforts and strides that were implemented by the Joe Gqabi District municipality during the 2017/18 financial year. Our programme of implementation is in line with the priorities of the national and provincial government with regard to extending universal access to basic services, creation of job opportunities, rural development, improving education and health, fighting crime and corruption in an environment that creates sustainable and resilient communities. To further these goals and aspirations it requires government to build a democratic developmental state capable of mobilising all sectors of society towards a common goal of improving the quality of life for all our residents, with a particular focus on the poor. Promotion of social cohesion and nation building will contribute immensely towards the attainment of our goals.

The District has managed to maintain a high-level alignment and linkages between its programmes and those of national and provincial government. The relationship between the medium term strategic framework (MTSF), 12 Priority Outcomes and role of Local Government, Provincial Strategic Priorities, Outcome 9 Agreement inform the Strategic Focus Areas of the JGDM. Our Strategic focus areas are also clearly linked to the social and economic development trajectory of the District as directly informed by the District communities. As contained in the annual performance matrixes of the JGDM and JoGEDA it is evident that there are performance areas that either fall or are dependent on the actions of other spheres of government to be achieved. The blue drop and green drop results, Working for Water and Working for Wetlands, capturing of job opportunities created, revenue collection, etc are some of the examples of performance area that are influenced by actions of other spheres of government. Thus, we will continue our strides towards ensuring improved intergovernmental relations with regard to planning, implementation and reporting.

On the front of public participation and accountability, the JGDM implemented various programmes aimed at ensuring community and stakeholder participation in the planning, implementation and monitoring of our service delivery interventions. The IDP preparation process involved an extensive consultation and participation of communities, role players and key stakeholders in order to achieve a shared understanding of the municipal development trajectory and alignment. Various community and stakeholder participation initiatives were undertaken during the year under review.

The Executive Mayor's Community consultation programme with the community was concluded in March 2019 with a State of the District Address that was held in Sterkspruit. This was preceded by the community participation engagements that were held in all our local municipalities. The District also participated in Mayoral Outreaches of the local municipalities between March and May 2017. Issues identified through these engagements range from matters District and local municipality competence to those of other spheres of government. Key issues include lack of water and sanitation services, high youth unemployment, unavailability of government service departments in most small towns, illegal connections to the municipal services infrastructure, rising crime rate and poor condition of roads.

Other critical consultative and engagement structures such as the traditional leaders' forum, District Mayors' forum, technical support group, IDP and budget representative forum, disaster management forum, transport forum, agricultural forum, Women Economic Empowerment forum, IGR clusters, etc continued to function throughout the year. With


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regard to the functionality of IGR clusters, initiatives to strengthen cluster engagements are underway as only the Social Cluster continued to work throughout the period under review.

With regard to labour issues, the Local Labour Forum has been established in terms of the bargaining Council agreement. The forum continued to meet and three meetings were held during the last financial year. The District has two unions operating: viz; South African Municipal Workers Union (SAMWU) and IMATU. The LLF subcommittee meetings were held bimonthly. This resulted in the existence of functionally professional and cordial relations between labour and the employer.

The positive and professional interface between the political and administrative arms of the District municipality also had an immense contribution on the achievement of the planned initiatives and actions.

We once again pride ourselves as this District Council for having attained a clean audit opinion from the Auditor General for the 2017/18 financial year. This is in the backdrop of the audit results for the 2014/15 and 2015/16 financial years which were also clean. One of the 2018 institutional strategic planning session goals was to deal with all issues that led to the District achieving an unqualified audit opinion. It pleases me to report to our communities that we have achieved this goal. This goes to confirm that public funds under the custody of the District municipality are indeed in good and safe hands.



Ald. ZI Dumzela
Executive Mayor

Date: 17 January 2019


1.2 MUNICIPAL MANAGER'S FOREWORD

In terms of Section 155 of the Constitution of the Republic of South Africa, the Joe Gqabi District municipality is a category C municipality, which means that it has municipal executive and legislative authority in an area that includes more than one municipality. The JGDM is legislated to perform a number of functions. The service delivery functions of the District municipality are water, sanitation, municipal health services, municipal planning, and disaster management. The District shares the responsibility on tourism, planning with its local municipalities. Additional powers and functions are allocated to the District municipality through service level agreements such as the roads function in which there is an active agreement between the Department of Roads and Transport with the District Municipality whereby the District maintains gravel roads in the Walter Sisulu local municipality.

The Joe Gqabi Economic Development Agency (JoGEDA), which is an economic development entity of the District, has a mandate to deliver on the economic outcomes envisioned in the District's GDS Summit Agreements. JoGEDA's mandate is further aligned to the IDPs of all the municipalities within the Joe Gqabi District. JoGEDA primary purpose is to be a strategic and robust economic growth special purpose vehicle focusing on investment promotion in key priority areas that would stimulate trade and industry whilst providing opportunities for job creation within the District. The combined efforts of assessing through feasibility studies, packaging through investment promotion and facilitation of economic development through the various catalytic projects will enable the region to meet its growth targets. JoGEDA has now reached full blown operational phase. The main focus is to ensure the implementation of the catalytic projects. JoGEDA co-ordinates local economic development activities and catalytic interventions, with the support of JGDM and also engages with public sector departments and private sector companies for the implementation of the identified projects and other development programmes. With regard to the provision of access to a basic level of water, the new water installations constituted repairs of old infrastructure and therefore the target was not achieved resulting in material misstatement in the reported performance.

With regard to management changes in relation to senior managers directly reporting to the Municipal Manager, all post were filled and incumbents signed performance agreements. Top Management posts include the Municipal Manager, Director Community Services, Chief Operations Officer, Director Corporate Services, Director Technical Services, CFO and Manager WSP. A new directorate called Institutional Advancement and Support was established and the post was filled in the third quarter of the year and a performance agreement was signed.

The commitment of the Political and Administrative leadership of the District to sound and accountable government has led the District retaining its clean audit outcome from the Auditor General. This confirms the effectiveness and efficiency of our governance structures such as the Council, Municipal Public Accounts Committee, Mayoral Committee, Audit Committee, Risk Committees and other structures of Council. The professional and responsible conduct by all the employees of the District played an important part in the achievements realised during the year under review.


ZA Williams
Municipal Manager

17 January 2019

Dependency Ratio		
Per 100 (15-64)	71.7	71.3
Sex Ratio		
Males per 100 females	89.8	89.8
Population Growth		
Per annum	1.53%	n/a
Labour Market		
Unemployment rate (official)		
Youth unemployment rate (official) 15-34		
Education (aged 20 +)		
No schooling	8.0%	14.5%
Matric	19.5%	14.1%
Higher education	5.8%	5.9%
Household Dynamics		
Households	95 107	97 470
Average household size	3.9	3.4
Female headed households	46.9%	49.3%
Formal dwellings	69.6%	60.4%
Housing owned	71.7%	61.3%
Household Services		
Flush toilet connected to sewerage	28.2%	23.9%
Weekly refuse removal	34.1%	28.1%
Piped water inside dwelling	19.2%	17.6%
Electricity for lighting	60.0%	69.1%

CHAPTER 2 – GOVERNANCE

Governance is defined as the exercise of political, economic and administrative authority in the management of a municipality's affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences.

Component A: Governance Structures

Political Governance Structure

The Joe Gqabi District Municipality has an executive mayoral system. The District has five standing committees which are chaired by portfolio councillors. With regard to the frequency of meetings, the Council met at least quarterly as well as and when required. Furthermore, for all the above-mentioned structures, special meetings were convened as and when necessary. The high level accountability structure of the District is depicted in figure 2 below.

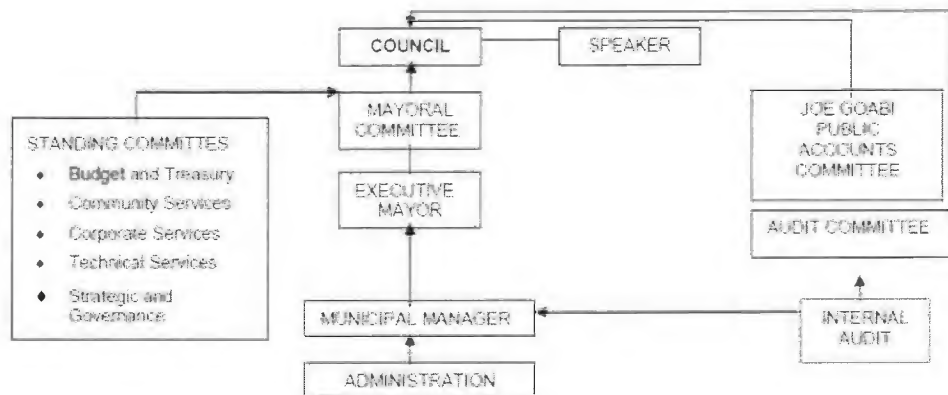


Figure 2: High level accountability structure of the District

2.2 Political Leadership



Figure 3: Political leadership

2.3 Administrative Governance Structure

The Municipal Manager and his team of seven senior managers lead the institution. A new Directorate, Institutional Support and Advancement, was established by Council during the year under review and an incumbent was appointed in December 2017. All the senior management posts were filled during the year under review with signed performance agreements.



Figure 4: Administration

In terms of the Municipal Structures Act, 117 of 1998, Section 18(2), a municipal council must meet at least quarterly. A municipal Council may also establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers (Municipal Structures Act, 117 of 1998, Section 79). The table below provides an overview of the number of meetings held in 2016/17 and 2017/18.

Table 2: Meetings held

DC14	2016/17	2017/18
Council meetings	12	13
MPAC meetings	6	5
Exco/Mayco meetings	11	10
Audit and risk meetings	5	6
Ward committee meetings	N/A	N/A

2.4 Component B: Intergovernmental Relations

The IDP and Budget Representative Forum allow members to represent the interests of their constituents in the IDP and budget processes. It also provides an organizational mechanism for discussion, negotiation and decision making between the stakeholders including the municipal government. The forum met quarterly.

The traditional leader's forum, which is chaired by the Speaker of the District was functional throughout the year and various meetings were held focusing on the initiation programme. The main purpose of the forum is to create a dialogue and discussion platform between the municipality and traditional leadership and it ensures participation of traditional leadership in matters of local government. Traditional leaders also participated in Council meetings.

A number of LED related stakeholder forums existed during the year including the Agricultural Forum and the District Tourism Organisation. Various community and stakeholder participation initiatives were undertaken on an ongoing basis

Component C: Public Accountability and Participation

The Executive Mayor's Community outmatch programme with the community was conducted in all local municipalities. The District also participates in Mayoral Outreaches of the local municipalities. Issues identified through these engagements range from matters of the District and local municipality competence to those of other spheres of government.

2.5 IDP Participation and Alignment

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
T 2.5.1	

Component D: Corporate Governance

2.6 Risk management

All entities face uncertainty and the challenge for management is to determine how much uncertainty it is prepared to accept as it strives to grow stakeholder value. Enterprise risk management will enable management to identify, assess the face of uncertainty and is therefore integral to value creation and preservation. With regard to risk management within the District, risk registers were developed and are reviewed annually. Actions plans are reviewed quarterly. A risk committee was established and is functional. The committee evaluates progress on the action plans.

The top five risks for the institution are as follows:

No	Risk description	Mitigation / intervention
1.	Social economic status of local area <ul style="list-style-type: none"> • High unemployment and dependency • Rural nature and vastness of the District • Limited economic activities 	<ul style="list-style-type: none"> ▪ Comprehensive LED strategy and implementation plan (that is under review) ▪ Platforms in place for Stakeholder and Community Participation (agricultural forum, tourism forums, cooperative forums etc.) ▪ Approved LED structure in the organogram ▪ EPWP Programme ▪ Coordination of various economic programmes ▪ Economic programmes coordinated in the district area
2.	Governance <ul style="list-style-type: none"> • Constant communications with communities • Ability to address community priorities 	<ul style="list-style-type: none"> ▪ IDP prepared each year to try to focus interventions in a coordinated manner ▪ JGDM has developed and approved Community Participation Strategy. ▪ IDP reviewed and amended annually. ▪ Planning processes reviewed in order to factor in disaster occurrences i.e. Trend analysis.
3.	Regulatory compliance <ul style="list-style-type: none"> • Risk of legislative non-compliance 	<ul style="list-style-type: none"> ▪ Legal section is in place. ▪ Appointment of an external legal firm for additional support ▪ "Mbuli Commission" visits staff once a year to disseminate information on policies of the institution ▪ Compliance framework has been implemented ▪ - New HR legislation and amendments have been implemented
4.	Staff attraction and retention <ul style="list-style-type: none"> • Risk of high staff turnover • Risk of institutional continuity 	<ul style="list-style-type: none"> ▪ Policies allow for possible deviations in remuneration package (example Retention policy) ▪ Recruitment and selection policies and procedures implemented ▪ Majority of S56 positions are filled ▪ Skills Development Policy developed

		<ul style="list-style-type: none"> Reviewed relevant HR policies including the recruitment policy. Performance Management policy in place
5	Implementation of systems and processes <ul style="list-style-type: none"> Risk of internal control lapses 	<ul style="list-style-type: none"> Staff are trained on performances and implementation of IDPs and Workplace skills plans IDP policy in place IDP office coordinates all plans and monitors compliance Staff keep abreast with skills for new legislative changes Staff in all sections prepare or coordinate development of statutory plans and service delivery obligations / performance obligations for all management.

2.7 Anti-Corruption and Fraud

As its policy stance on fraud and corruption, the policy of the JGDM is zero tolerance to fraud and corruption. All fraud and corruption allegations are investigated and followed up once reported and all remedies available are applied within the full extent of the law. Prevention controls include the existing financial and other controls and checking mechanisms as prescribed in the systems, policies and procedures of Joe Gqabi District Municipality. In order to minimize the occurrence of fraud and corruption the District has implemented various mechanisms which include division of duties, internal audit review of processes and adherence thereto, Audit Committees that exclude politicians and officials as voting members, condemnation by mayor and municipal manager of corrupt practices and involvement of the police as soon as grounds for suspicion become evident.

2.8 Supply Chain Management

The Supply Chain Management (SCM) function of the District is centralized under the Finance Department. This was implemented with a view of strengthening the capacity and ability of the District to comply with the MFMA and National Treasury Regulations. All these mechanisms and systems seek to ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption. The District has an approved SCM policy which is reviewed annually. Key policy objectives of the policy include the following:

- The Policy includes empowerment goals and objectives which strives towards ensuring that historically disadvantaged individuals (HDIs) are presented an opportunity to participate and function in the mainstream of the economy.
- A supplier development programme is also under consideration.

2.9 By-laws

The JGDM has the following by-laws:

Newly Developed	Revised	Public Participation Conducted Prior to Adoption (Yes/No)	Dates of Public Participation	By-Laws Gazetted* (Yes/No)	Date of Publication
Community Fire Safety	N/A	Yes	October 2009	Yes	11 September 2009
Passenger Transport	N/A	Yes	October 2009	Yes	11 September 2009
Water Services	N/A	Yes	March 2008	Yes	07 March 2008

With regard to the development and review of MHS bylaws, a number of public participation engagements took place during the year under review. There were 29 public participation engagement meetings from July 2017 until March 2018. The District is committed to ensuring that all its by-laws are fully implemented. Technical capacity in terms appointment of staff, training of available staff, exploration of partnership possibilities and sourcing additional funding are some of the options being considered by the District.

2.10 WEBSITES

Municipal Website: Content and Currency of Material	
Documents published on the Municipality's / Entity's Website	Yes / No
Current annual budget and all budget-related documents	Yes
Current Adjustment Budget	Yes
All current budget-related policies	Yes
The previous annual report (2016/17 FY)	Yes
The annual report (2017/18 FY) published/to be published	To be published
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2017/18 FY) and resulting scorecards	Yes
All service delivery agreements (2017/18 FY)	No
All long-term borrowing contracts (2017/18 FY)	No
All supply chain management contracts above a prescribed value	Yes
An information statement containing a list of assets over a prescribed value that were disposed of in terms of section 14 (2) or (4) during 2017/18 FY	No
Contracts agreed in 2017/18 FY to which subsection (1) of section 33 apply, subject to subsection (3) of that section	Yes
Public-private partnership agreements referred to in section 120	N/A

All quarterly reports tabled in the council in terms of section 52 (d)	Yes
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Currently all the information required is and as it becomes available placed on the website for public attention. The relevant staff were exposed to various training initiatives which are intended to continue to improve compliance.

2.11 Statutory Annual Report Process

No.	Activity	Time frame	Status
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July	Done
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).		Done
3	Finalise the 4th quarter Report for previous financial year		Done
4	Submit Annual Performance Report to Internal Audit and Auditor-General		Done
5	Submit draft 2017/18 FY Annual Report to Internal Audit and Auditor-General		Done
6	Municipal entities submit draft annual reports to MM		Done
7	Audit / Performance committee considers draft Annual Report of municipality and entities (where relevant)	August	Done
8	Mayor tables the unaudited Annual Report		In process
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General		In process
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase		In process
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October	In process
12	Municipalities receive and start to address the Auditor General's comments	November	In process
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report		In process
14	Audited Annual Report is made public and representation is invited		In process
15	Oversight Committee assesses Annual Report		In process
16	Council adopts Oversight Report	March	In process
17	Oversight report is made public		In process
18	Oversight report is submitted to relevant provincial councils		In process
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	March	In process

CHAPTER 3 – SERVICE DELIVERY PERFORMANCE REPORT

3.1 Service delivery summary

As depicted in the annual performance report, the District is continuing to make significant strides in addressing service delivery backlogs. Moving forward, key initiatives that must be undertaken include a focus on reducing water losses through various means that include more efficient use of water, addressing water losses occurring within the water and sanitation infrastructure, installation of water meters for both bulk infrastructure and consumers, eliminating illegal connections, improving the billing system, recruitment and appointment of peace officers to deal with water wastage and leaks as well as a hydro-survey of all water sources to determine sustainability and availability of potable water source. The aged bulk water and sanitation infrastructure all needs to be revived through targeted investments in operations and maintenance. Thus, the following are critical issues the District is currently trying to address:

Table 3: Water and sanitation issues

AREA	CHALLENGE	SOLUTION EMPLOYED	SOLUTION PLANNED
Mt Fletcher	Full VIP Toilets	Emptying of VIP (started)	In progress
Maclear	Full VIP Toilets	Emptying of VIP (started)	Started
	Aged Water Supply Infra	Refurbishment of Aucamp WTW about to be completed	In progress
	Insufficient Water Supply to Greenfield and Sonwabile	New water supply scheme started but slow	Front loading will ensure adequate funds and speedy implementation of new project from July onward.
Ugie	Lack of sanitation infrastructure in most areas	Construction of bigger septic tanks started	A proper sanitation project is needed. This is planned but not yet started by PMU
Barkly East	Inadequate raw water supply and clear water storage	Construction of a bigger pumping main (stalled)	Completion of the pumping main, upgrade of the WTW and augmentation of the clear water storage.
Lady Grey	Water Shortage	In process	Planned new dam
Rossouw	Water Shortage - Drought.	Water Carting	Continued water carting. Attempts for more boreholes failed as no water was found underground.
Aliwal North	Sewage spillages	Daily honey suckig and high pressure jetting/repairs	New sewer lines needed for Area 13, Dukathole and Hilton
Jamestown	Sewage spillages	Daily Honey Sucking	New sewer lines needed for the whole town
Burgersdorp	Water Shortage	Water Restrictions	New pipeline needed to convey water from Steynsburg to Burgersdorp
	Sewage spillages	Service Provider appointed to construct some sections for a midterm relief. Otherwise more work is required for a long term relief	Scope of work needs to be extended for a long term relief. To cover parts of the town and WWTW.
Sterkspruit	Water Shortage	Water Carting and quick-wins project	Jovelani Water Supply and Herschel Pipeline Projects should continue for a huge impact. Quick wins project to be completed elsewhere in the villages. Illegal connection a HUGE challenge

The District is implementing water conservation and demand management which aims of a WCDMP needs to include:

- Improve efficiency of asset operation and maintenance (O&M)
- Reduce and regulate water consumption
- The conservation of scarce water resources
- To improve revenue collection

	2017/18 FY	2016/17 FY	2015/16 FY	2014/15 FY	2013/14 FY
Water					
Blue Drop Score	n/a	n/a	n/a	n/a	74.69
Is the municipality responsible to	Yes	Yes	Yes	Yes	Yes

provide?

Does the municipality have infrastructure to provide?	Yes	Yes	Yes	Yes	Yes
Does the municipality actually provide?	Yes	Yes	Yes	Yes	No
Is the service outsourced/commercialised?	No	No	No	No	No
Number of households provided with potable water service	0	0	5934		0
Number of domestic households	73 257	73 257	73 257	73 088	70 182
Inside the yard	41 774	41 774	41 774	41 678	41 297
Less than 200m from yard	31 483	31 483	31 483	31 410	18 745
More than 200m from yard	0	0	0	0	10 140
Domestic households with access to free basic service	14 176	14 176	14 176	11 178	0
Sanitation					
Green Drop Score	n/a	n/a	n/a	n/a	n/a
Is the municipality responsible to provide?	Yes	Yes	Yes	Yes	Yes
Does the municipality have infrastructure to provide?	Yes	Yes	Yes	Yes	Yes
Does the municipality actually provide?	Yes	Yes	Yes	Yes	Yes
Is the service outsourced/commercialised?	No	No	No	No	No
Number of households provided with sanitation service	5065	6190	6334	6454	
Number of households using					
Flush toilet - public sewerage	23 699	23 699	23 699	23 523	23 009
Flush toilet - septic tank	2 914	2 914	2 914	2 906	2 880
Ventilated pit latrine	67178	62133	55 943	48 467	46 294
Bucket system	0	0	0	0	1 729
Other	0	0	0	0	0
Domestic households with access to free basic service	14 176	14 176	14 176	11 178	0

🎯 = Target achieved and or exceeded (> 90%), 🎯 = target not achieved (< 74%), 🎯 = information not yet available, 🎯 = significant progress (75 - 90%) has been achieved, N/A = No target was set for the quarter in the approved SDSlip - target and or indicator refined and aligned

3.2 PERFORMANCE ON PRE-DETERMINED PERFORMANCE OBJECTIVES

= Target achieved and or exceeded (> 90%), = target not achieved (< 74%), = information not yet available, = significant progress (75 - 90%) has been achieved, N/A = No target was set for the quarter in the approved SDBIP *.

KPA 1: Service Delivery and Infrastructure provision

STRATEGIC OBJECTIVE	PROGRAMME	KPI NUMBER	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE 2016/17 FY		CURRENT PERIOD 2017/18 FY		Snapshot	Variance	Corrective Action	Evidence
				Target	Actual	Target	Actual				
Provide access to basic services	SD01: Develop and maintain water and sanitation infrastructure	SD01-01	% compliance with SANS 241 for drinking water quality	97%	95.18%	97%	94.5%		Quality compromised due to old and aging infrastructure that compromises clean water when distributed	JGDM will continue to lobby for funding to replace old and aging infrastructure and reservoirs	BDS report
		SD01-02	Number of reservoirs constructed	N/A	N/A	15	18		Additional budget was larger portion of the allocated budget spent allocated to the reservoirs due to the need to mitigate against drought prevailing	None. No additional budget utilised	1. Report to Standing Committee 2. Closeout report
		SD01-03	Number of new water sources provided	N/A	N/A	5	6		Larger Efficient use of existing budget allowed for portion of the allocated budget spent - was prioritised for additional boreholes due to the need to mitigate against possible droughts same budget prevailing drought	None. No additional budget utilised	1. Report to MayCo

🏆 = Target achieved and or exceeded (> 90) 🏆 = target not achieved (< 74) 🏆 = information not yet available 🏆 = significant progress (75 - 90%) has been achieved N/A = No target was set for the quarter in the approved SODBP. *
 🏆 = target and/or indicator refined and aligned

[illegible]

= Target achieved and or exceeded (> 90%) = Target not achieved (< 74%) = Information not yet available. = Significant progress (75 - 90%) has been achieved. N/A = No target was set for the quarter in the approved SDBIP. * = target and or indicator refined and aligned

STRATEGIC OBJECTIVE	PROGRAMME	KPI NUMBER	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE 2016/17 FY		CURRENT PERIOD 2017/18 FY		Snapshot	Variance	Corrective Action	Evidence	Formatted		
				Target	Actual	Target	Actual							
	SD03-02	% of households with access to basic level of water	82%	0%	88%	74%		Changed the methodology of calculation based on 2016 StatsSA information. No new household connections were added due to delays in the Orto programme approval process. No budget implication as JGDM focused on bulk supply development and refurbishment of existing supply schemes to improve the reliability of the existing services.	JGDM will await the Orto approval process to unfold. No budget implementation. Change baseline for future calculations.	Report to MayCo.	Formatted			
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				SD03-03	% of households with access to a basic level of sanitation	95%		94%	100%**	84%		Ventilated Improved Pit (VIP) toilet and other pit toilet. Only the VIP pit toilet is considered a basic supply and as such the baseline was adjusted. None	None	Report to MayCo.
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= Target achieved and or exceeded (> 90%)
 = Target not achieved (< 74%)
 = Information not yet available
 = Significant progress (75 - 90%) has been achieved
 N/A = No target was set for the quarter in the approved SDBIP

STRATEGIC OBJECTIVE	PROGRAMME	KPI NUMBER	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE 2016/17 FY		CURRENT PERIOD 2017/18 FY		Snapshot	Variance	Corrective Action	Evidence	Formatted		
				Target	Actual	Target	Actual							
		SD03-04	Number of households provided with portable water connections	N/A	N/A	5000	0		The Elundini rural water project was delayed at procurement stage due to stringent Orio (funder) compliance conditions. This resulted in no new potable water connections. The Orio budget is still available	JGDM will await the Orio approval process to unfold. A clearance certificate has been received to allow works to proceed.	1. Report to Standing Committee 2. Closeout report	Formatted		
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		SD03-05	Number of households provided with sanitation service (toilets)	N/A	N/A	5000	5065		The increase over the target was due to There was a weather audit of the prior FY which resulted in some VIP toilets being indicated as being relevant in the current FY. No budget implication carry over for prior year target.	None. No budget implication.	1. Report to Standing Committee 2. Closeout report	Formatted		
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STRATEGIC OBJECTIVE	PROGRAMME	KPI NUMBER	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE 2016/17 FY		CURRENT PERIOD 2017/18 FY		Snapshot	Variance	Corrective Action	Evidence	Formatted								
				Target	Actual	Target	Actual					Formatted								
	SD04: Render effective municipal health services	SD04-01	Number of monthly inspections on each of urban waste site	12 inspections of 13 waste sites	12 inspections of 13 waste sites	12 inspections of 12 waste sites and 1 inspection of an additional site for part of the year	The Sterkspruit waste site started to operate again-again which increased the number of sites monitored. There was no impact on budget after a compliance notice was issued- it did not operate throughout the fourth quarter.	None- No budget implication.	Waste inspection report	Formatted	Formatted									
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STRATEGIC OBJECTIVE	PROGRAMME	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE 2016/17 FY		CURRENT PERIOD 2017/18 FY		Snapshot	Variance	Corrective Action	Evidence	
			Target	Actual	Target	Actual					
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KPA 2: Local Economic Development

STRATEGIC OBJECTIVE	PROGRAMME	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE 2016/17 FY		CURRENT PERIOD 2017/18 FY		Snapshot	Variance	Corrective Action	EVIDENCE	Formatted	
			Target	Actual	Target	Actual						
Facilitate and implement job creation and poverty alleviation initiatives	LED01: Implement and expand implementation of EPWP and other job creation initiatives	Number of jobs created through local economic development initiatives including capital projects	2 000 job opportunities created (capital projects)	888	2 050	655560		A total of 614 work opportunities were captured on the MIS for the year. Target could not be met due to a number of projects being completed and some being delayed. No budget implication. Not all 660 work opportunities were captured on the MIS for the year by the DoL. <u>EPWP employees</u>	Projects that were on hold are now starting to move. The municipality is in the process of recruiting an EPWP Technologist and two Data Capturers which will allow JGDM to capture on the MIS and ensure all employees are captured. <u>No budget implication</u> <u>EPWP</u> technologist and two data-capturers are being recruited for the JGDM to capture on the MIS	1. Report to Standing Committee 2. Employment report to the funder	Formatted	
			LED01-01									Formatted
	LED02: Implement working for water and working for wetlands	Number of jobs created through working for water and working for wetlands	1 256 job opportunities created (Working for Water and Working for Wetlands)	1 228	1 041	102 jobs were achieved by first half of the year against a target of 42		<u>No funds materialised. Only Working for Wetlands funds received for employment due to Working for Water contract extension by non-compliance by DEA. Accreditation to be used by 31</u>	Engaged DEA in attempting to set up a meeting with the Minister of DEA. JGDM will continue to request progress on the NRM contract signature for the 2018/19 financial year. <u>No</u>	1. Report to Standing Committee 2. Employment report to the funder	Formatted	
			LED02-01									Formatted
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KPA 3: Financial Viability and Management

STRATEGIC OBJECTIVE	PROGRAMME	KPI NUMBER	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE 2016/17 FY		CURRENT PERIOD 2017/18 FY		Snapshot	Variance	Corrective action	EVIDENCE	DIRECTORATE
				Target	Actual	Target	Actual					
Ensure sound and effective financial management and reporting Finance	FM01: Comply with all statutory financial management and reporting requirements	FM01-01	% of capital budget actually spent on capital projects identified in the IDP	100%	84%	100%	64%		In the unbundling of capital assets at year end, operational costs were identified under the capital vote. These were then reallocated negatively affecting the attainment of this indicator. However all grant conditions were met.	Improve planning around operational and capital expenditure in the WSP	Income and expenditure report	Technical Services
		FM01-02	Cost coverage ratio	2.02	15	2.02	1		There were cashflow challenges during the year that required careful management.	Improve cashflow through collection of outstanding monies	S71 Report to Council	Finance

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STRATEGIC OBJECTIVE	PROGRAMME	KPI NUMBER	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE 2016/17 FY		CURRENT PERIOD 2017/18 FY		Snapshot	Variance	Corrective action	EVIDENCE	DIRECTORATE
				Target	Actual	Target	Actual					
		FM01-03	% of budget actually spent on implementing workplace skills plan	100%	100%	100%	75%		Delay in expenditure owing to procurement challenged in the appointment of a Training Agent. The budget was not spent.	A training agent has been appointed. Training will be conducted in the first quarter of the new financial year. No toll over	Income and Expenditure report	Corporate Services
		FM01-04	% of operational budget allocated for repairs and maintenance	N/A	N/A	8%	8%		None	None	1. Approved budget	Finance
		FM01-05	Debt coverage ratio	2.03	14	2.03	20		The institution does not have debt and the long term loans are nearing the end of their term.	None	S71 Report to Council	Finance
		FM01-06	Outstanding service debtors to revenue ratio	1.8	3.85	1.8	0.31		There is insufficient revenue collected from service debtors due to the inability to cut off water on outstanding accounts.	Continue to install prepaid water meters.	Debtors Report	Finance

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STRATEGIC OBJECTIVE	PROGRAMME	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE 2016/17 FY		CURRENT PERIOD 2017/18 FY		Snapshot	Variance	Corrective action	EVIDENCE	DIRECTORATE
			Target	Actual	Target	Actual					
		Annual Financial statements developed by August 2017	Annual Financial statements developed by August	Annual financial statements developed internally by August	Annual Financial Statements developed by August 2017	Annual Financial Statements developed by August 2017		None	None	1. AFS 2. Council resolution 3. Proof of submission to AG	Formatted: Indent: Left: 0 cm, Right: 0 cm Formatted: Font: Wingdings, 14 pt Formatted: Font: 9 pt
		% of operational budget actually spent	100%	86.5%	100%	95%		None	None	1. Income and Expenditure report - 2. Audited AFS	Formatted: Font: 9 pt Formatted: Highlight
		% of conditional grants spent	100% (MIG)	100% (MIG)	100%	100%		None	None	Income and expenditure report	Formatted: Font: 9 pt
		% of Working for Wetland rehabilitation programme budget spent	100%	100%	100%	113%		Spent all of current years received funds and amounts remaining from the three year allocation and all interest.	None	1. Grant expenditure report 2. Income and Expenditure report	Formatted: Font: 9 pt
		% of alien plants eradication programme (working for water budget spent	100%	99.69%	100%	0%		No new contracts signed (no budgets provided) due to DEA's internal processes.	Follow up with DEA on new contract	1. Grant expenditure report 2. Income and Expenditure report	Formatted: Highlight Formatted: Font: 9 pt Formatted: Highlight

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STRATEGIC OBJECTIVE	PROGRAMME	KPI NUMBER	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE 2016/17 FY		CURRENT PERIOD 2017/18 FY		Snapshot	Variance	Corrective action	EVIDENCE	DIRECTORATE
				Target	Actual	Target	Actual					
	FM02: Implement revenue collection and enhancement strategy initiatives	FM02-01	% of billed revenue collected	N/A	N/A	100%	30%		Water cannot be terminated due to nonpayment	Continue to implement installation of prepaid meters	1. Report to Standing Committee	Finance
		FM02-02	Install pre-paid meter readers	N/A	N/A	Prepaid meters installed in Maclear and Aliwal North	Prepaid meters installed in Aliwal North and not achieved in Maclear		Due to the challenges of availability of water in all parts of Maclear the programme was initiated in all of Walter Sisulu and Senqu towns. 1396 meters were installed	Improve public participation to accept pre paid installations across the district	1. Closeout report 2. Report to Standing Committee	Finance
	FM03: Implement anti-fraud and anti-corruption measures	FM03-01	Number of anti-fraud and anti-corruption workshop	1	1	1	1		None	None	1. Attendance Register 2. Report to Standing Committee	OMM
		FM03-02	Number of SCM quarterly reports submitted to the Council	4 reports	3 reports	4	43		None Report not yet submitted to Council	None Report due in August 2018 but submitted	1. SCM reports submitted to the Council 2. Council resolution	Finance
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KPA 4: Institutional Development and Transformation

STRATEGIC OBJECTIVE	PROGRAM ME	KPI NUMBER	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE Baseline		CURRENT PERIOD (2017/18 FY)		Snapshot	Variance	Snapshot Corrective Action	EVIDENCE	Formatted: Font: (Default) Arial, 10 pt, Bold, Font color: Text 1
				Target	Actual	Target	Qrt. 4 Actual					Formatted: Font: 10 pt
Improve human resource capacity and potential	ID01: Effectively empower and develop the Council's workforce and communities	ID01-01	Number of people from employment equity target groups employed in the three highest levels of management in compliance with EEP	2	10	23	23		None		Report to Standing Committee	Formatted: Font: 9 pt, Not Bold, Font color: Auto
		ID01-02	Number of Councillor training initiatives undertaken	3	5	5	8		Additional SALGA initiated 4 councillor trainings took place. There was implications on Subsistence and Travel costs due to the fact SALGA initiated additional trainings to the one planned for the quarter	None. No funding implications	1. Attendance registers 2. Quarterly training reports to Training Committee	Formatted: Font: 9 pt, Not Bold, Font color: Auto
		ID01-03	MSCOA training initiatives undertaken for Staff and Councillors	N/A	N/A	2	2		None		1. Attendance registers 2. Training report to Standing Committee	Formatted: Font: 9 pt, Not Bold, Font color: Auto
		ID01-04	Number of internships & learnerships opportunities created	53	70	53	53		None		1. Report to Standing Committee	Formatted: Font: 9 pt, Not Bold, Font color: Auto
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STRATEGIC OBJECTIVE	PROGRAM ME	KPI NUMBER	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE Baseline		CURRENT PERIOD (2017/18 FY)		Snapshot	Variance	Evidence	
				Target	Actual	Target	Qrt. 4 Actual				
	ID02: Attract, retain and develop a base of scarce skills encourage skills transfer initiatives	ID02-01	Fill all budgeted vacant posts	N/A	N/A	All vacant budgeted posts filled	Not achieved	<p>Recruitment process will be strictly monitored term tender for the staff verification has reached bid evaluations and the process should be concluded in the first quarter of the 2018/19 FY. Subsequent to renovations of the building offices will be rationalised.</p>	<p>All critical budgeted positions have been filled. However protracted recruitment and selection processes contributed to this target not being achieved. All critical budgeted positions have been filled. However protracted recruitment and selection processes contributed to this target not being achieved. Some posts were re-advertised where applicants did not meet the standards. There were also delays in the verification of qualifications. The budget was not spent. Some posts were not filled due to shortage of staff.</p>	<p>1. Report to management</p>	<p>Formatted: Font: 9 pt, Not Bold, Font color: Auto</p> <p>Formatted: Font: 9 pt</p> <p>Formatted: Font: Not Bold, Font color: Auto</p> <p>Formatted: Font: Not Bold, Font color: Auto</p> <p>Formatted: Font: 9 pt, Not Bold, Font color: Auto</p> <p>Formatted: Font: Not Bold, Font color: Auto</p> <p>Formatted: Font: 9 pt</p> <p>Formatted: Font: Not Bold, Font color: Highlight</p>

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Strategic Objective	Program Me	KPI Number	Key Performance Indicator	Past Performance Baseline		Current Period (2017/18 FY)		Snapshot	Variance	Evidence	Findings
				Target	Actual	Target	Qrt. 4 Actual				
	ID03: Maintain conducive working conditions for staff	ID03-01	Number of LLF meetings held	4 meetings	4 meetings	4	33	<p>Meeting could not be held due to a disagreement between Labour and Management on interpretation of LRA and collective agreement.</p> <p>SALGA was sourced for interpretation (meeting held on 15 June 2018). None</p>	<p>1. Minutes</p> <p>2. Attendance Registers</p>	<p><u>Snapshot</u> <u>Correctly</u> <u>on</u> <u>Action</u></p>	<p>Formatted: Font: 9 pt, Not Bold, Font color: Auto</p> <p>Formatted: Font: 9 pt</p>
<p>Comment [F3]: Need a reason for variance as it is less than 80% of the target been reached.</p> <p>Formatted: Font: 9 pt, Not Bold, Font color: Auto</p> <p>Formatted: Font: 9 pt</p> <p>Formatted: Font: 9 pt, Not Bold, Font color: Auto</p> <p>Formatted: Font: 9 pt</p>											

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KPA 5: Good Governance and Public Participation

STRATEGIC OBJECTIVE	PROGRAMME	KPI NUMBER	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE 2016/17 FY		CURRENT PERIOD 2017/18 FY		Snapshot	Variance	Corrective Action	EVIDENCE
				Target	Actual	Target	Actual				
Facilitate intergovernmental cooperation and coordination	GG01: Support and participate in intergovernmental cooperation initiatives	GG01-01	Number of DIMAFO meetings held	2 meetings	2 meetings	2	2	👍	N/A	N/A	1. Minutes 2. Attendance Register
		GG02-01	Number of Council meetings held	9 meetings	11 meetings	9	11	👍	Additional meetings were held to finalise upper limits of Councillors and budget adjustment. There were subsistence and travel and sitting allowance budget implications. None.	Budget adjustment meeting is incorporated in Calendar of meetings. No budget implications. None.	1. Minutes 2. Attendance Register
	GG02: Create and maintain stakeholder engagement initiatives									Senqu and WSLM scheduled for the second quarter of the 2018/19 FY. No follow-up.	1. Community satisfaction survey report 2. Report to Standing Committee
		GG02-02	Conduct Community satisfaction survey	Community Satisfaction Survey conducted	Community Satisfaction Survey conducted	Community Satisfaction Survey conducted	Community satisfaction survey conducted at Elundini LMNet achieved	👍	LMs could not be held as the Director ISA was only appointed in the last quarter of the year. Community satisfaction survey conducted at Elundini.	over Budgeted in the 2018/19 FY	
		GG02-03	Number of Mayoral outreach programs held in each Local Municipality	1 Mayoral outreach program held in each Local Municipality	1 Mayoral outreach program held in each Local Municipality	1 Mayoral outreach held in each Local Municipality	1 Mayoral outreach were held in each Local Municipality	👍	None	None	1. Attendance Registers 2. Outreach report

= Target achieved and or exceeded (> 90%) = target not achieved (< 74%) = Information not yet available. = significant progress (75% - 90%) has been achieved. N/A = No target was set for the quarter in the approved SDBIP.

STRATEGIC OBJECTIVE	PROGRAMME	KPI NUMBER	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE 2016/17 FY		CURRENT PERIOD 2017/18 FY		Snapshot	Variance	Corrective Action	EVIDENCE	DIRECTOR
				Target	Actual	Target	Actual					
		GG02-04	Hold State of the District Address	N/A	N/A	Annual State of the District Address held	Annual State of the District event was held		None	None	1. Report to Standing Committee	Formatted: Font: 9 pt
	GG03: Provide support to local municipalities	GG03-01	Number of IDP/PMS, IT and Internal Audit support initiatives with local municipalities	N/A	N/A	3	3		None	None	1. Report to Standing Committee 2. Attendance Registers	Formatted: Font: Not Bold, Font color: Auto, English (South Africa), Not All caps, Not Expanded by / Condensed
	GG04: Facilitate environmental management and conservation	GG04-01	Number of reports on implementation of working for water and wetlands programme	N/A	N/A	1	1		None	None	1. Report to Standing Committee	Formatted: None, Space Before: 0 pt, Line spacing: single, Hyphenate, Adjust space between Latin and Asian text, Border: Top: (No border), Bottom: (No border), Left: (No border), Right: (No border), Pattern:
												Formatted: Font: 9 pt
Communicate effectively with communities	GG05: Ensure effective internal communications and communities with communities	GG05-01	Number of public participation engagements held	N/A	N/A	1 public participation engagement held in each local municipality	1 public participation engagement held in each local municipality		None	None	1. Reports to Standing Committee 2. Attendance registers	Formatted: Font: 9 pt
												Formatted: Font: 9 pt

= target not achieved (< 74%), = information not yet available, = significant progress (75 - 90%) has been achieved, N/A = No target was set for the quarter in the approved SDBIP.

STRATEGIC OBJECTIVE	PROGRAMME	KPI NUMBER	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE 2016/17 FY		CURRENT PERIOD 2017/18 FY		Snapshot	Variance	Corrective Action	EVIDENCE
				Target	Actual	Target	Actual				
Establish and support municipal oversight systems, mechanisms and processes	GG06: Work closely with traditional leaders	GG06-01	Number of traditional leaders forum meetings held	4 meetings	3 meetings	4	4		None	None	1. Minutes 2. Attendance Register
	GG07: Ensure and maintain clean governance	GG07-01	Compile 2016/17 FY annual report	2015/16 FY Annual Report approved by Council	2015/16 FY Annual Report approved by Council	Annual Report approved by Council	Annual Report approved by Council		None	None	1. Approved Annual Report. 2. Council Resolution
		GG07-02	Compile 2018/19 FY MTEF Budget	2016/17 FY MTEF Budget approved by Council	2017/18 MTEF Budget approved by Council	2017/18 MTEF Budget approved by Council	2018/19 MTEF Budget approved by Council		None	None	1. Approved Budget 2. Council Resolution
		GG07-03	Compile 2018/19 FY IDP	2017/18 IDP reviewed and approved by council	2017/18 IDP reviewed and approved by council	2018/19 IDP compiled and approved by Council	2018/19 IDP was compiled and approved by Council		None	None	1. 2018/19 FY IDP 2. Council resolution

= Target achieved and or exceeded (> 90%) = target not achieved (< 74%) = information not yet available = significant progress (75% - 90%) has been achieved N/A = No target was set for the quarter in the approved SDBIP

STRATEGIC OBJECTIVE	PROGRAMME	KPI NUMBER	KEY PERFORMANCE INDICATOR	PAST PERFORMANCE 2016/17 FY		CURRENT PERIOD 2017/18 FY		Snapshot	Variance	Corrective Action	EVIDENCE	DIRECTOR
				Target	Actual	Target	Actual					
		GG07-04	Number of signed performance agreements for Directors & Managers directly reporting to the Municipal Manager including the Municipal Manager	7	7	8	8		None	None	78 signed performance agreements	Formatted: Font: 9 pt, Not Bold, Font color: Auto
		GG07-05	Number of Institutional Risk Assessment workshops conducted	1	1	1	1		None	None	1. Attendance Register 2. Institutional Risk Register	Formatted: Font: 9 pt
		GG07-06	Maintain clean audit outcomes	Clean audit maintained	Unqualified Audit opinion	Clean audit maintained	Info not available yet		TBD	TBD	Audit report	Formatted: Font: 9 pt
		GG07-07	Number of MPAC meetings held	4 meetings	4 meetings	4	4		None	None	1. Minutes 2. Attendance Registers	Formatted: Font: 9 pt

♣ = Target achieved and or exceeded (> 90), ♠ = target not achieved (< 74) ♣♠ = information not yet available, ⚡ = Significant progress (75 - 90%) has been achieved N/A = No target was set for the quarter in the approved SDEBP.
 target and or indicator refined and aligned

[illegible]

🏆 = Target achieved and/or exceeded (> 90). 🏆 = target not achieved (< 74). 🏆 = information not yet available. 🏆 = significant progress (75 - 90%) has been achieved. N/A = No target was set for the quarter in the approved SDBIP. * = target and/or indicator refined and aligned

[illegible]

- the annual target based on the 2016 CSes together with 2016/17 actual figures and the planned connections for 2017/18 should have been 84%. There was a change in the methodology of calculation and now used the community survey 2016 from STATSSA as the baseline as this is the most accurate relevant information.
- this figure changed from the original SDBIP following review. This figure is not an accumulative figure but is a target for each of the quarters over the year. The number was to be maintained across the year.

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Performance of JoGEDA for the period ended June 2018



SERVE AS PRIMARY AND PRINCIPAL VEHICLE FOR ECONOMIC DEVELOPMENT & INVESTMENT WITHIN JOE QOABI DISTRICT

KPI (No.)	SUB-PROGRAMME TITLE		INFRASTRUCTURE AND PROPERTY DEVELOPMENT				STRATEGIC GOALS 1		SERVE AS PRIMARY AND PRINCIPAL VEHICLE FOR ECONOMIC DEVELOPMENT & INVESTMENT WITHIN JOE GOABI DISTRICT	
	Snap shot Indicators		=Target achieved		=Target not achieved					
	Project	Specific Deliverable (KPI)	Baseline		CURRENT PERFORMANCE		Means of Verification for Annual Target		Corrective Measures	
			Planned (2016/17)	Actual (2016/17)	Planned (2017/18)	Actual (2017/18)		Deviation Explanation		
1.1.2	Project	Assess Property Requirements Project	None indicated	New Indicator	Property Requirements, Agent Appointed	Property Requirements, Agent Appointed	Agreements, signed and letter of intent (2016/17)	None	None	Business Analysts Project Managers
1.1.4	Project	Number of properties, structures and extensions on plots	None indicated	New Indicator	1 Report	1 Report	Terminal and evaluation Report	None	None	

KPI No.	SUB-PROGRAMME TITLE		AGRI-PADK AND AGRI-BUSINESS DEVELOPMENT				STRATEGIC GOALS 1		SERVE AS PRIMARY AND PRINCIPAL VEHICLE FOR ECONOMIC DEVELOPMENT & INVESTMENT WITHIN JOE GOASH DISTRICT			
	Project	Specific Deliverable (KPI)	Baseline	PAST PERFORMANCE		CURRENT PERFORMANCE		Means of Verification for Annual Target	Stop Short	Deviation Explanation	Corrective Measures	Responsible Person
				Planned (2016/17)	Actual (2016/17)	Planned (2017/18)	Actual (2017/18)					
= Target achieved												
= Target not achieved												
1.110	Maine Meat Hook	Enabling infrastructure across the site operations of the Maine Meat Hook		1. Bookmarked maps developed	2. Site/holder maps developed	1. Bookmarked maps developed	2. Site/holder maps developed	1. Bookmarked maps developed	2. Site/holder maps developed	None	None	
1.111		Develop an operational model		1. Operational model developed	2. Operational model developed	1. Operational model developed	2. Operational model developed	Operational business Model Report	None	None		
1.112		Monitor of Target Strategy identifying opportunities with and constraints for future actions	Business Plan completed in 2016	1. Signed strategic partnership agreement	2. Signed strategic partnership agreement	1. Signed strategic partnership agreement	2. Signed strategic partnership agreement	Agreed Agreement	None	None		
1.113		Monitor of Strategic Business development for the Maine Meat Hook		1. Operational model for the operations of the Maine Meat Hook	2. Operational model for the operations of the Maine Meat Hook	1. Operational model for the operations of the Maine Meat Hook	2. Operational model for the operations of the Maine Meat Hook	Operational model Report	There has been a lot of work done on the completion of the Maine Meat Hook strategic plan. The work has been completed and the strategic plan has been completed. The work has been completed and the strategic plan has been completed. The work has been completed and the strategic plan has been completed.	None	External Analyst / Project Manager	

KPI No.	SUB PROGRAMME TITLE		AGRI-PARK AND AGRI-BUSINESS DEVELOPMENT		STRATEGIC GOALS 1		SERVE AS PRIMARY AND PRINCIPAL VEHICLE FOR ECONOMIC DEVELOPMENT & INVESTMENT WITHIN JOE GOAHI DISTRICT		Responsible Person				
	Project	Specific Deliverable (KPI)	Baseline	PAST PERFORMANCE		CURRENT PERFORMANCE		Slip/Slip		= Target achieved	= Target not achieved		
				Planned (2016/17)	Actual (2016/17)	Planned (2017/18)	Actual (2017/18)					Means of Verification for Annual Target	
1.14	Agri Park and Agribusiness support	Number of signed Partnership agreements with agricultural entrepreneurs for business development		0 Partnership Agreements for agricultural entrepreneurs development	2 Partnership Agreements for agricultural entrepreneurs development	2 Partnership Agreements for agricultural entrepreneurs development	Service level Agreement/ Memorandum of Understanding				Small Partnership business can only happen once the Agri Park has been built. The funds for the establishment of the Agri Park were released at some time from National Government. These funds are not in circulation hence there are no Partnership Agreements with Agri Entrepreneurs.	Efforts to get funds released from National Government will have to be ongoing. It is therefore difficult to put a timeline on the establishment of Partnership Agreements.	
1.15		Number of signed Partnership agreements with agricultural entrepreneurs for business development	New Targets	2 Partnership Agreements for agricultural entrepreneurs development	2 Partnership Agreements for agricultural entrepreneurs development	2 Partnership Agreements for agricultural entrepreneurs development	2 Partnership Agreements for agricultural entrepreneurs development	Agreement signed between the agri Park and Agri Entrepreneurs				Small Partnership business can only happen once the Agri Park has been built. The funds for the establishment of the Agri Park were released at some time from National Government. These funds are not in circulation hence there are no Partnership Agreements with Agri Entrepreneurs. Small Partnership could not be established until the new agreement.	Efforts to get funds released from National Government will have to be ongoing. It is therefore difficult to put a timeline on the establishment of Partnership Agreements.
1.16		Number of signed Partnership agreements with agricultural entrepreneurs for business development		2 Partnership Agreements for agricultural entrepreneurs development	2 Partnership Agreements for agricultural entrepreneurs development	2 Partnership Agreements for agricultural entrepreneurs development	2 Partnership Agreements for agricultural entrepreneurs development	Agreement signed between the agri Park and Agri Entrepreneurs			Small Partnership business can only happen once the Agri Park has been built. The funds for the establishment of the Agri Park were released at some time from National Government. These funds are not in circulation hence there are no Partnership Agreements with Agri Entrepreneurs. Small Partnership could not be established until the new agreement.	Efforts to get funds released from National Government will have to be ongoing. It is therefore difficult to put a timeline on the establishment of Partnership Agreements.	Business Development Manager

KPI (No.)	SUB-PROGRAMME TITLE		INSTITUTIONAL DEVELOPMENT AND ORGANISATIONAL PERFORMANCE				STRATEGIC GOALS 2.2		TO BUILD A CULTURE OF ORGANISATIONAL PERFORMANCE AND EXCELLENCE			
	Sub-programme details		= Target achieved				= Target not achieved					
	Reporting Period	Specific Deliverable (KPI)	Baseline	PAST PERFORMANCE Planned (2016/17) Actual (2016/17)	CURRENT PERFORMANCE Planned (2017/18) Actual (2017/18)	Means of Verification for Annual Target	Stop-aid	Decision Explanation	Corrective Measures	Responsible Person		
2.2.1	Annually	Performance management system operational and accepted by personnel	Performance Management System	1. Performance management system approved by the board	1. Performance management policy reviewed	1. Performance management policy reviewed		None	None			
2.2.2	Annually	Performance management system operational	Performance Management Policy	100% Performance management system approved	1. Performance management policy reviewed	1. Performance management policy reviewed		None	None			
2.2.3	Quarterly	Number of performance management reports submitted annually	Performance Management Policy	4 performance management reports submitted	4 performance management reports submitted	4 performance management reports submitted		None	None			
2.2.4	Quarterly	Number of performance management reports submitted annually	2016/17 performance reports	4 performance management reports submitted	4 performance management reports submitted	4 performance management reports submitted		None	None			
2.2.5	Annually	Number of performance management reports submitted annually	2016/17 Annual Report	4 performance management reports submitted	4 performance management reports submitted	4 performance management reports submitted		None	None			

KPI No.	KPI PROGRAMME TITLE		COMMUNICATION AND GOVERNANCE			STRATEGIC GOALS 3.1			TO ESTABLISH EFFECTIVE GOVERNANCE PROCEDURE AND EFFICIENT MANAGEMENT SYSTEMS		
	Specific Description (KPI)		Past Performance (2016/17)			Current Performance (2017/18)			= Target achieved		
	Reporting Period	Baseline	Planned (2016/17)	Actual (2016/17)	Planned (2017/18)	Actual (2017/18)	Means of Verification for Annual Target	Stop short	Deviation Explanation	Corrective Measures	Responsible Person
3.1.1	Annually	Report on Board level Shared Governance Measures implemented annually	1. Board Governance Report submitted	1. Board Governance Report accepted	1. Board Governance Report	1. Board Governance Report	Board Governance Report	👍	None	None	None
3.1.2	Quarterly	Monitor if Board Governance Measures implemented in Board	2. Board Governance Report submitted to the Board	2. Board Governance Report submitted to the Board	2. Board Governance Report submitted to the Board	2. Board Governance Report submitted to the Board	Board Governance Report	👍	None	None	Chief Executive Officer/Managing Director
3.1.3	Quarterly	Compliance of Board Governance Measures implemented	3. Board Governance Report submitted to the Board	3. Board Governance Report submitted to the Board	3. Board Governance Report submitted to the Board	3. Board Governance Report submitted to the Board	Board Governance Report	👍	None	None	None
3.1.4	Annually	Report on Board Governance Measures implemented	4. Board Governance Report submitted to the Board	4. Board Governance Report submitted to the Board	4. Board Governance Report submitted to the Board	4. Board Governance Report submitted to the Board	Board Governance Report	👍	None	None	None
3.1.5	Annually	Report on Board Governance Measures implemented	5. Board Governance Report submitted to the Board	5. Board Governance Report submitted to the Board	5. Board Governance Report submitted to the Board	5. Board Governance Report submitted to the Board	Board Governance Report	👍	None	None	None
3.1.6	Annually	Report on Board Governance Measures implemented	6. Board Governance Report submitted to the Board	6. Board Governance Report submitted to the Board	6. Board Governance Report submitted to the Board	6. Board Governance Report submitted to the Board	Board Governance Report	👍	None	None	None
3.1.7	Annually	Report on Board Governance Measures implemented	7. Board Governance Report submitted to the Board	7. Board Governance Report submitted to the Board	7. Board Governance Report submitted to the Board	7. Board Governance Report submitted to the Board	Board Governance Report	👍	None	None	None
3.1.8	Annually	Report on Board Governance Measures implemented	8. Board Governance Report submitted to the Board	8. Board Governance Report submitted to the Board	8. Board Governance Report submitted to the Board	8. Board Governance Report submitted to the Board	Board Governance Report	👍	None	None	None
3.1.9	Annually	Report on Board Governance Measures implemented	9. Board Governance Report submitted to the Board	9. Board Governance Report submitted to the Board	9. Board Governance Report submitted to the Board	9. Board Governance Report submitted to the Board	Board Governance Report	👍	None	None	None

KPI No.:	SUB-PROGRAMME TITLE		FINANCIAL MANAGEMENT				STRATEGIC GOALS 3.2		TO ENSURE FINANCIAL SUSTAINABILITY			
	Strategic Goal 3.2: Budgets		= Target achieved				Target not achieved		Target not achieved			
	Reporting Period	Specific Deliverables (KPI)	Baseline	PAST PERFORMANCE		CURRENT PERFORMANCE		Means of Verification for Annual Target	Start and End	Decision Explanation	Corrective Measures	Responsible Person
3.2.1	Annually	Monitor all various budget expenditures and submission to JICA	2016/17 Annual Budget	1 Annual budget approved	1 Annual budget approved	1 Annual budget approved	1 Annual budget approved	Total income, funding expenditure, revenue of the approved budget and submission to JICA		None	None	
3.2.2	Quarterly	Monitor all quarterly budget expenditure and submission to JICA	Monthly budget submission for 2016/17	12 Monthly budget submissions submitted to JICA and submission of the Board	12 Monthly budget submissions submitted to JICA and submission of the Board	12 Monthly budget submissions submitted to JICA and submission of the Board	12 Monthly budget submissions submitted to JICA and submission of the Board	Period of submission of budget to JICA and submission of the Board		None	None	
3.2.3	Quarterly	Monitor all Financial Statements prepared and submitted quarterly	2016/17 Financial statements	4 Financial Statements prepared and submitted	4 Financial Statements prepared and submitted	4 Quarterly Financial Statements prepared and submitted	4 Quarterly Financial Statements prepared and submitted	Period of submission of budget to JICA and submission of the Board		None	None	Chief Executive Officer / Financial Manager
3.2.4	Annually	Monitor all various funding expenditure and submission to JICA	2016/17 Annual Budget	120% submission funding budget	120% submission funding budget	120% submission funding budget	120% submission funding budget	Period of submission of budget to JICA and submission of the Board		None	None	

CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.1 Staffing information

The table below provides an overview of staffing levels in the municipality, including total staff, approved positions and funded vacancies. In this municipality, 97% of staff are permanent employees. There is a vacancy rate of 22%.

Table 4: Staffing levels

	DC14
Total municipal staff currently employed	956
Total permanent currently employed	931
Total temporary staff currently employed	25
Total approved positions	1225
Total funded vacancies	1217
Percentage of funded vacancies	99%

The qualifications of staff (from technical to postgraduate) are detailed below. The table shows that 11,99% of staff have some form of tertiary qualification.

Table 5: General qualifications

	DC14
Number of staff with postgraduate degrees	12
Percentage of staff with postgraduate degrees	1,26
Number of staff with Bachelor's degrees	38
Percentage of staff with Bachelor's degrees	3.97
Number of staff with technical qualifications	59
Percentage of staff with technical qualifications	6.17

In 2007, National Treasury introduced minimum competencies for municipal officials responsible for financial and supply chain management. This was done in order to modernise and professionalise financial management in municipalities, in keeping with the principles of accountability, transparency, effective and efficient utilisation of public resources.

The regulations cover the following aspects for the relevant financial and supply chain management positions: minimum higher education qualifications; work related experience, core managerial and occupational competencies and the financial and financial and supply chain management competencies that the relevant municipal officials should have to enable them to discharge their responsibilities under the MFMA and the related reforms.

A structured training programme was introduced in support of the minimum competency requirements for existing and new incumbents in the municipal sector. A graduate internship programme was also introduced and additional financial resources were made available to municipalities in the form of Financial Management Grant over the medium term. This was augmented by additional funding from the donor community, LGSETA and municipal own resources. The table below indicates the number of people in the municipality that have completed MFMA competency courses.

Table 6: MFMA competency

	DC14
Number of municipal officials that have completed the MFMA Competency 1: Budgeting	41
Number of municipal officials that have completed the MFMA Competency 2: Costing	41
Number of municipal officials that have completed the MFMA Competency 3: Income expenditure	41
Number of municipal officials that have completed the MFMA Competency 4: Ethics	41
Number of municipal officials that have completed the MFMA Competency 5: IG Fiscal relations	41
Number of municipal officials that have completed the MFMA Competency 6: Auditing planning implementation	41
Number of municipal officials that have completed the MFMA Competency 7: Performance management	41
Number of municipal officials that have completed the MFMA Competency 8: Internal control	41
Number of municipal officials that have completed the MFMA Competency 9: Risk management	41
Number of municipal officials that have completed the MFMA Competency 10: ICT and finance	41

Some of the relevant numbers and figures as far as organisational development function of the District are summed up below.

	2017/18	2016/17	2015/16
Employment			
Employee Costs (R'000)	210 133 486	186 85 9168	163 740 000
Remuneration of councillors (R'000)	5 953 332	5 201 912	5 310 000
Total Employee Positions	901	901	813
Total Vacant Employee Positions	269	324	177
Managerial Positions - S57	7	6	6
Vacant Managerial Positions - S57	0	0	0
Managerial Positions - by organogram	19	19	19
Vacant Managerial Positions - by organogram	1	1	4

4.2 Management overview

The table below provides an overview of senior management in the municipality, including total number of Section 56 positions, as well as the percentage of vacancies in 2016/17 and 2017/18. In this municipality, 33% of Section 56 positions were vacant in 2016/17, while 0% were vacant in 2017/18.

Table 7: Senior management

	DC14
Total Section 56 positions in the municipality	3
Percentage of Section 56 positions vacant for more than three months in 2016/17	33%
Percentage of Section 56 positions vacant for more than three months in 2017/18	0%

The following table provides information on the number of qualified engineers, planners, accountants and environmental officers.

Table 8: Qualifications of professionals

	DC14
Qualified engineers and engineering technologists	5
Qualified planners and planning technicians	3
Qualified accountants	11
Environmental officers	20

4.3 Departmental assessment

Total budget and staffing information for the three groups of functions (Development and town planning services; Technical services; Community services) are provided in the table below. This is followed by a detailed assessment by function in the following section.

An analysis of data for each department finds the following:

- Development and Planning
 - 82% increase in operating budget between 2016/17 and 2017/18
 - 0% increase in capital budget between 2016/17 and 2017/18
 - A vacancy rate of 20%
- Technical services
 - 23% increase in operating budget between 2016/17 and 2017/18
 - 19% decrease in capital budget between 2016/17 and 2017/18
 - A vacancy rate of 23%
- Community services
 - 6% increase in operating budget between 2016/17 and 2017/18
 - 0% increase in capital budget between 2016/17 and 2017/18
 - A vacancy rate of 8%

CHAPTER 5 – FINANCIAL PERFORMANCE

5.1 Financial information

The District Municipality is cognisant of the financial environment in the country and abroad on issues such as Eskom Tariff increases, the volatile Rand, sluggish economic growth, high rates of unemployment and uncertainty of fuel prices. The municipality has reviewed its financial policies and the reviewed policies were approved by the rules and ethics committees during February 2018. A final approval was made by Council in May 2018. A tariff restructuring for water and sanitation function has been implemented since 2007 so that income matches expenditure and to ensure there is funding for replacement costs and maintenance. The District is also investigating the possibility of recovering some service costs for Municipal Health Services (MHS) through the implementation of fines and certificate of acceptability.

Billing is based on accurate data which status changes from time to time. Initiatives such as annual review of indigent registers and customer data are in place to ensure continued accuracy and consistency of billing data. The effectiveness of the billing systems have been assessed with the review of the revenue enhancement strategy (RES) and the WSDP review and the system is effective and efficient. The municipality has embarked on a project of installing pre-paid water meters in order to improve revenue collection.

High staff turnover is a challenge that leads to capacity gaps. Training of staff on effective usage of the financial system and other financial year has been prioritised. A new financial system, SEBATA, was sourced as an integrated system for the District. There has been significant reduction in wasteful and fruitless expenditure which enhances the revenue of the institution. To limit payment of interest charged by creditors for late payment of accounts, the District has strict controls on overdue accounts. To further improve revenue management bulk and individual meters are prioritised for implementation in all towns and later in all served areas. This measure will be implemented in the shortest time possible. The focus shifted from the implementation of Pre-paid water meters within the Aliwal North Town area during 2016/2017 to the whole District, on a request basis at no charge to the consumers, which will improve on the collection of monies due.

The Municipality's depreciable asset base increases significantly on an annual basis as result of the significant capital investments in infrastructure within the District in the last ten years. The increase in the depreciable asset base increased the annual depreciation beyond normal tariff increases.

In terms of national policy, municipalities should provide Free Basic Services to their communities. The table below indicates whether free basic water and electricity is provided, the quantity thereof, and the number of households benefitting from this policy. In this municipality, free basic services for water costs roughly 4% of the total operating expenditure. This benefits 16,82% of households in the municipality.

Table 9: Free basic services

	DC14
Free Basic Services policy (water)	Yes
Quantity of free basic water	6 kl
Cost to municipality for free basic water	22,433,818
Number of households benefitting from free basic water	16304
Free Basic Services policy (electricity)	N/A
Quantity of free basic electricity	N/A

Cost to municipality for free basic electricity(Kwh)	N/A
Number of households benefitting from free basic electricity	N/A

The table below depicts other important financial indicators for the municipality.

All values: R'000	2017/18	2016/17	2015/16
AUDIT OUTCOME	Clean	Financially unqualified with findings	Clean audit outcome
FINANCIAL PERFORMANCE			
Revenue			
Service charges	77 137 650	91 671 035	102 810 763
Investment revenue	26 745 244	27 401 827	4 385 210
Government grants and subsidies - capital	132 635 748	250 801 995	203 356 888
Transfers recognised operational	404 607 810	315 173 467	326 436 927
Other own revenue	14 270 825	1 023 737	1 283 144
Total Revenue	655 397 277	700 255 006	655 270 689
Expenditure			
Employee costs	210 133 486	190 580 905	167 090 606
Remuneration of councillors	5 953 332	5 201 912	5 309 512
Depreciation and Amortization	49 158 583	48 698 284	46 362 765
Finance charges	5 645 688	5 916 126	5 735 402
Bulk purchases	4 458 788	4 163 900	988 976
Grants and subsidies paid	8 495 130	7 879 344	1 192 980
Repairs and maintenance	6 975 583	12 012 116	6 315 416
Contracted services	14 872 932	14 441 985	15 138 059
Total Expenditure	305 693 522	480 095 516	468 227 157
Total current assets	192 808 699	5 684 207	8 532 307
Total noncurrent assets	1 687 526 349	1 678 558 968	1 500 403 879
Total current liabilities	144 928 084	30 808 730	25 482 835

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

6.1 COMPONENT A: AUDITOR-GENERAL OPINION 2017/18 FINANCIAL YEAR

Joe Gqabi District Municipality Audit Report

For the year ended 30 June 2018

Report of the auditor-general to Eastern Cape Provincial Legislature and the council on Joe Gqabi District Municipality

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the Joe Gqabi District Municipality and its subsidiary (the group) set out on pages x to x, which comprise the consolidated and separate statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 June 2018, and their financial performance and cash flows for the year then ended in accordance with South African Standards of General Accounting Practise (SA Standards of GRAP) and the requirements of the Municipal Financial Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2017) (DORA).

Context for the opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 40 to the consolidated financial statements, the corresponding figures for the previous balance sheet were restated as a result of an error in the financial statement of the municipality at, and for the year ended 30 June 2018.

Material losses

8. As disclosed in note 46 to the consolidated financial statements, material losses of R45 million was incurred due to aging infrastructure.

Impairment – Receivables from Exchange Transactions

9. As disclosed in note 4 to the consolidated financial statements, material losses of R186.9 million (2017: R142.8 million) was incurred as a result of significant impairment of debtors due to poor collection practises.

Property, plant and equipment – Work-in-progress

10. As disclosed in note 7 to the consolidated financial statements, the municipality has disclosed capital infrastructure projects that are delayed with explanations for the delays.

Responsibilities of Accounting Officer for the financial statements

11. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the **preparation** of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the **consolidated** and separate financial statements, the accounting officer is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going **concern** basis of accounting unless the appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether **the** consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an **auditor's** report that includes my opinion. **Reasonable** assurance is a high level of assurance, but is not a guarantee that an **audit** conducted in **accordance** with the ISAs will always detect a material misstatement when it exists. **Misstatements** can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of **these** financial statements.
14. A further **description** of my **responsibilities** for the audit of the consolidated and separate financial **statements** is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the Joe Gqabi District Municipality (municipality). I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2018:

Development priorities	Pages in the annual performance report
KPA 1: service delivery and infrastructure provision	x – x
KPA 2: local economic development	x – x

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. I did not raise any material findings on the usefulness and reliability of the reported performance information for these development priorities.

Other matters

20. I draw attention to the matter below.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
23. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

24. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other **information** and I do not express an audit opinion or any form of assurance conclusion thereon.
26. In connection with my audit, my responsibility is to read the other **information** and, in doing so, consider whether the other information is **materially** inconsistent with the financial **statements** and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or **otherwise appears** to be materially **misstated**.
27. I **did** not receive the other information prior to the **date** of **this** auditor's report. When I do receive and read this information, if I conclude **that** there is a material **misstatement** therein, I am required to communicate the matter to those charged **with** governance and request that the other information be corrected. If the other information is not corrected, I may have to retract the auditor's report and re-issue an **amended** report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

28. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the findings on the annual performance report.
29. Management has not adequately reviewed the annual performance report as a result there were misstatements identified in the annual performance report.
30. The annual performance report submitted for audit were not supported by supporting information and was found not to be reliable. IT governance has weakened leading to municipality not implementing mSCOA on treasury deadline.

East London

Auditor-General

13 December 2018



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priorities and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
 - evaluate the appropriateness of **accounting** policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the **consolidated** and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Joe Gqabi District Municipality ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate **financial** statements about the **material** uncertainty or, if such disclosures are inadequate, to modify the opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the **underlying transactions** and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer **regarding**, among other matters, the planned scope and timing of the audit and **significant** audit findings, **including** any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the **accounting** officer that I have complied with relevant ethical requirements regarding independence, and communicate **all relationships** and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

COMPONENT B: ADDRESSING AUDITOR-GENERAL OPINION 2016/17 FINANCIAL YEAR

6.2 Audit Action Plan 2016/17 FINANCIAL YEAR

Auditor-General Report on Financial Statements 2016/17 FY	
Status of audit report:	Financially unqualified with findings
Non-Compliance Issues	Remedial Action Taken
Corrections of a material nature were made to the financial statements	Ensure that there is sufficient oversight over the preparation of the AFS including filling the post of Chief Financial Officer and allowing sufficient time for all oversight committees to review and give comment prior to submission Ensure that there is supporting information for all items in the financial statements
T 6.2.1	

Auditor-General Report on Service Delivery Performance: 2016/17 FY	
Status of audit report	Unqualified with findings
Non-Compliance Issues	Remedial Action Taken
Corrections were made to the Annual Performance Report	Ensure that there is sufficient, reliable and complete information to support each indicator and that this evidence has been interrogated and reviewed prior to submission for audit
T 6.2.2	

6.3 Audit Action Plan 2017/18 FINANCIAL YEAR

Auditor-General Report on Financial Statements 2017/18 FY	
Status of audit report:	Clean
Non-Compliance Issues	Remedial Action Taken
Other information not received by the AG prior to finalisation of the auditor's report	Systems will be strengthened to ensure timeous availability of information.
T 6.2.1	

Auditor-General Report on Service Delivery Performance: 2017/18 FY	
Status of audit report	Clean
Non-Compliance Issues	Remedial Action Taken
Misstatements in the annual performance report	Strengthen review of portfolio of evidence to support reported achievements throughout the year.
Non-implementation of mSCOA	The municipality has reviewed its targets and action

and weakened IT governance

plan from mSCOA implementation. Implementation is underway.

T 6.2.2

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

Signed (Chief Financial Officer)..... Dated.....

APPENDIX A: COMMITTEE AND COMMITTEE PURPOSE

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	Purpose of Committee
Top Management	To discuss Administrative matters concerning each Directorate, to provide expert inputs in preparation of every meeting within the power of the Institution and to serve as a network for experience sharing.
Audit Committee	To provide independent, objective assurance and consulting services designed to add value and improve the District Municipality's operations. It helps the District Municipality accomplish its objectives by bringing a systematic, discipline approach to evaluate and improve the effectiveness of risk management, governance and control processes.
Council Meeting	To develop mechanism to consult the community and community organisations in performing its functions and exercising its powers as per the legislation.
Mayoral Committee	To discuss and report to the Municipal Council on all decisions taken by the committee as per the delegation assigned to the Mayoral Committee.
DIMAFO	To facilitate effective co-operation between municipalities in the Joe Gqabi District. Its main aim is to enhance integrated development and to consider priorities in the whole district. It is also aimed at affecting the constitutional imperatives relating to co-operative governance as enshrined in Chapter 3 of the Constitution.
MPAC	To consider and evaluate the content of the annual report and to make recommendations to Council when adopting an oversight report in the annual report. To perform any other functions assigned to it through a resolution of Council within its area of responsibility, excluding policy formulation or prioritization matters.
Broad Management	To discuss administrative matters concerning each Section.
Corporate Services Standing Committee	To advise the Mayoral Committee on matters related to Corporate Services
Community Services Standing Committee	To advise the Mayoral Committee on matters related to Community Services
Technical Services Standing Committee	To advise the Mayoral Committee on matters related to Technical Services
Financial Services Standing Committee	To advise the Mayoral Committee on matters related to Financial Services
Strategic & Governance Committee	To advise Council on matters related to Strategic and Governance
Rules & Ethics	To advise Council on matters related to Rules and Ethics
Remuneration Committee	To advise Council on matters related to Remuneration

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APPENDIX B: THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	Director/Manager (State title and name)
Office of the Municipal Manager	Manager IGR and Communications: Mr G Gceya
	Manager Mainstreaming: Mr MP Dyantyi
	Manager Internal Audit: Ms A Mahamba
	Manager IDP and PMS: Mr T Phintshane
Community Services	Manager Environmental Health Services: Mr M Saule
	Manager Water Services Authority: Mr S Pongoma
	Manager Disaster Rescue and Fire Services: Mr Moko
Manager Water Services Provision	Manager WSP: Mr D Lusawana
Technical Services	Manager Roads: Mr L Labuschagnie
Corporate services	Manager Council Support: M L Matyesini
	Manager HR: Mr S Botha
	Manager Skills Development: Ms N Nelani
	Manager Legal Services: Ms N Libazi
	Manager IT: Mr L Gush
Finance	Manager Budget and Treasury: Mr C Samuels
	Manager Expenditure: Ms T Nqongqwana
	Manager Supply Chain Management: Ms M Mlotywa
	Technical Expert: Ms S du Toit


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APPENDIX C – FUNCTIONS OF MUNICIPALITY / ENTITY

	Authority for function	Provided by	Performance management system in place	By laws in place	Where is service rendered	Equipment and infrastructure available for function
Air pollution	District	DEDEAT	N/A	No	Entire area	N/A
Building regulations	N/A	N/A	N/A	N/A	N/A	N/A
Local tourism	Shared (District and local)	Shared (District and local)	Yes	No	Entire Area	N/A
Municipal Airports	N/A	N/A	N/A	N/A	N/A	N/A
Municipal Planning	District	District	Yes	No	Entire Area	Yes
Pontoons, ferries, jetties, piers, harbours	N/A	N/A	N/A	N/A	N/A	N/A
Trading regulations	N/A	N/A	N/A	N/A	N/A	N/A
Beaches and Amusement Facilities	N/A	N/A	N/A	N/A	N/A	N/A
Billboards and Public Advertisements	N/A	N/A	N/A	N/A	N/A	N/A
Control of public nuisances	N/A	N/A	N/A	N/A	N/A	N/A
Control of public liquor trading	N/A	N/A	N/A	N/A	N/A	N/A
Facilities for care, burial of animals, pounds	N/A	N/A	N/A	N/A	N/A	N/A
Fencing and fences	N/A	N/A	N/A	N/A	N/A	N/A
Licensing of dogs	N/A	N/A	N/A	N/A	N/A	N/A
Licensing of public food	N/A	N/A	N/A	N/A	N/A	N/A

trading						
Municipal abattoirs	N/A	N/A	N/A	N/A	N/A	N/A
Noise pollution	N/A	N/A	N/A	N/A	N/A	N/A
Pounds	N/A	N/A	N/A	N/A	N/A	N/A
Street trading	N/A	N/A	N/A	N/A	N/A	N/A
Environment and Nature Conservation	N/A	N/A	N/A	N/A	N/A	N/A
Vehicle licensing	N/A	N/A	N/A	N/A	N/A	N/A
Economic Development	District	District	Yes	No	Entire Area	No

APPENDIX D: DETAILED PERFORMANCE OF CAPITAL PROJECTS

(A) Project Name	(B) Description	(C) Budgets (‘000)	(D) Funding Source	(E) Location (Ward/ Local Municipality)	(F) Start Date End Date	(G) Progress on Expenditure ()	(H) Progress: Design & Tender, Contractor appointed, Construction <=25%, <=50%, <=75%, <=99%, completed, retention)	Snapshot	Progress 2017/18
Maclear Treatment Distribution Upgrade (Phase 1)	The project constitute the Following activities for financial year: (1) The construction pipeline linking reservoirs, (2) Installation of fittings the link pipeline	Total Budget R95 995 638 2017/18 R 0	MIG	Elundini LM	29/10/2015 29/03/2019	Total Exp. Prev. FYs = R17 207 351.31 2017/18 R 0	Progress: Construction <=75%, (On hold until the appointment of a new service provider)		Phase 1 The Consultant which was appointed on turnkey basis failed to perform, and was subsequently terminated. The plan was to increase the scope of the consultant that is appointed for Phase 2 of the project through securing a Council endorsement. However the item could not be submitted to Council in 2017/18 and now is planned to be secured as early as possible in 2018/19 FY There was no budget that was allocated for this phase in 2017/18 FY

Maclear Treatment Distribution (Phase 2)	Water supply and distribution upgrade	The project constitute the following activities for the financial year: 1) Completion of designs and tender document for procurement of construction services	2017/18 Adjusted Budget R 4 000 000	MIG	Elundini LM	11/03/2016 30/05/2021	Total 2017/18 FY Exp: R2 947 974,65	Phase 2: Progress: Design & Tender	⚡	<p>Phase 2 The Professional Service Provider (PSP) has completed the designs for the project, and the project is now ready for procurement of a Construction Service Provider (CSP). There was a slight change on the approved scope of work, which required a presentation to the funder (CoGTA), before the process of appointing a CSP can commence. The date for presentation has been secured early in 2018/19 FY (first quarter)</p> <p>The budget was adjusted in January 2018 from R 12 655 000.00 to R 4 000 000.00 after analysis of expenditure trends, and delays in amendment of the project.</p>
Mt Fletcher Bulk Water Supply Scheme Phase 2 (Upper and Lower Tokwana Villages Project)	Water supply and distribution upgrade	The project constitute the following: (1) Construction of 13,6km of primary gravity pipelines (2) Construction of 15,8 km of village reticulation lines (3) And construction two reservoirs in Upper & Lower Tokwana	Total Budget: 2017/18 R2 000 000.00 Adjusted Budget R 9 000 000	MIG	Elundini LM	26/01/11 Complete	2017/11 Expenditure R 0	Progress: 100% complete, (retention)	⚡	Retention payment.

Mt Fletcher Bulk Water Supply Scheme Phase 2 (Upper and Lower Tsolobeng and Mpharane Project)	<p>The project entails the provision of water to Tsolobeng and Mpharane villages in Elundini. The project was divided to 9 contracts which were awarded to 9 Learner Contractors who had debts coming from the Vuk'uphile programme so the plan was for the debts to be settled out of these projects.</p>	<p>2017/18 R2 000 000.00 Adjusted Budget R 9 000 000</p>	MIG	Elundini LM	<p>16/09/2013 30/06/2018</p>	<p>2017/18 Exp. = R 2 845 514.14</p>	<p>Progress: Construction<=99%</p>	<p>8 Vuk'uphile Learner Contractor have attained Completion on the project and only 1 was left with snag to be completed. Reservoir in Mpharane was found to be leaking. The contractor attended to the leak and it was lined as well as water tightness was done and it passed. However in January 2018, it was discovered that there was still dampness on the walls, and more time had to be given to monitor dampness to ascertain the cause. It was later discover that in fact the walls were not leaking but the reservoir was filled beyond the internal wall lining which exposed the walls to water and hence dampness that was still there. By the end of June 2018 the PSP was still monitoring the wall before final completion can be signed off.</p> <p>The budget that could not be spent on this project was moved to the back-up project (Upscaling and upgrading of Barkly East Bulk Water Infrastructure) in order to be able to finish the grant allocation.</p>
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Error! Reference source not found. : Phase 3B:	The project for 2017/18 financial year entail the following: (1) Completion of project designs and tender documentation	2017/18 Adjusted Budget R 8 000 000	MIG	Elundini LM	11/03/2015 30/06/2021	2017/18 Exp. R624 179,14	Progress: Design & Tender	<p>The PSP has completed the designs and development of tender document. The Tender document has since been submitted to JGDM for approval which is expected towards the end of August 2018. Construction is planned to commence in December 2018. This project has been submitted to DBSA as part of frontloading.</p> <p>This project has two phases which are allocated budget under one project, which is just below, the overall project has over spent on its adjusted allocation</p>
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Error! Reference source not found. (Phase 3)	The project entails the following: (1) Upgrading of WWTW from 0.7 to 1.4 Ml/day (2) Pump station and rising main	2017/18 R 17 000 000 Adjusted Budget R 8 000 000	MIG	Elundini LM	11/05/2015 30/10/2018	2017/18 Exp. = R8 581 195.64	Progress: Construction ≤70%	Up until end 2016/17 the following was achieved 1) Activated Sludge Reactor 2) Chlorine contact tank 3) Gravity pipeline from Fourie Str. to Pump Station (PS) 4) Gravity pipeline from KFC to PS 5) Sludge Drying beds 6) Pumping main from PS to manhole (MH) 23 During 2017/18 the following was achieved: Main Contractor struggled with cash flow problems and ended ceding the entire outstanding work to its M&E sub-contractor. The following have been completed by the sub-contractor: 1) Clarifier 99% complete, awaiting testing 2) PS 40% complete – had to breakdown a portion that was casted incorrect by the main contractor The project is planned to be completed by October 2018. The Budget of R 17 000 000.00 was adjusted during the Budget Adjustment period in January 2018 to R 8 000 000.00 after analysis of expenditure trend mid-term.
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Error! Reference source not found. : Phase 4	The project for 2017/18 is still under design development for: (1) Sewer Reticulation of the entire Maclear town	TBA	MIG	Elundini LM	TBA	Total Exp. Prev. FYs = 0 2017/18 Exp. = 0	Progress: Design & Tender	
Ugie Bulk Water Infrastructure Phase 3B	This is Phase B of the project which still at design and tender documentation for following activities: (1) Upgrading of the water treatment facility (2) Construction of Phase 2 of the bulk supply lines for Ugie (3) Provision of a water reticulation system for Ugie town (4) Construction of the Ugie Dam (5) And Construction of a 15 Ml reservoir for Ugie and Maclear	2017/18 R13 000 000 Adjusted Budget: R 5 000 000	MIG	Elundini LM	July 2015 TBA	2017/18 Exp. = R0	Progress: Design and Tender	

Elundini Water Programme (Orio Project)	The project entails the provision of water to 107 villages in Elundini without any formal water supply.	2017/18 R 10 000 000	MIG ORIO	Elundini LM	TBA	2017/18 Exp. = R3 749 416.01	Progress: Design & Tender	Update on 2017/18 progress A lead PSP has been appointed and a start up meeting was held. The PSP presented the designs in January 2018. In March 2018, a meeting with ORIO (Counter funder) was held for the presentation of the overall progress and their requirements for further procurements. The PSP is still busy with designs, while JGDM just received an approval from ORIO on the tender document for procurement of Sub-consultants which will now proceed in 2018/19 FY The budget that could not be spent on this project was moved to the back-up project (Upscaling and upgrading of Barkly East Bulk Water Infrastructure) in order to be able to finish the grant allocation.
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<p>Sterkspruit: Upgrading of WTW and Bulk Lines 200mmØ Hershel Pipeline (Under construction)</p>	<p>The project was to be implemented in three phase as follows:</p> <ol style="list-style-type: none"> 1. Ph1: 5Ml Baling Reservoir (Complete) 2. Ph2: Flocculation chamber(Complete) 3. Ph3: WTW Upgrade 4. Ph4: 2.1km x 160mmØ Vuyizana pipeline (Complete) 5. Ph5: 200mmØ Hershel Pipeline (Under construction) 	<p>2017/18 Adjusted Budget: R 7 500 000</p>	MIG	Senqu LM	10/2009	<p>2017/18 Exp. = R 7 854 494.55</p>	<p>Progress: Construction <=50%</p>	<p>JGDM, the Implementing Agent, Consultant and Contractor met on 25/01/2018 where a resolution to terminate the contract with the Contractor on mutual grounds was reached.</p> <p>The PSP was tasked to assist the Implementing Agent (IA) with the termination process.</p> <p>The IA experienced an exodus of personnel which were working on this project and it was difficult to get updates until late in June 2018 where JGDM finally got a feedback from the IA.</p> <p>The termination was through and a process of appointing a new contractor is planned to start in July 2018.</p> <p>The budget was adjusted during Budget Adjustment period from R 17 500 000.000 to R 7 500 000.00</p> <p>The remaining budget that could not be spent on the project was moved to the back –up project (Upscaling and upgrading of Barkly East Bulk Water Infrastructure) in order to finish the allocation.</p>
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Jamestown Bucket Eradication and Sanitation - Phase 2 Contract: JGDM 2014/15-009 (Pipelines)	The project constitute the following: (1) Construction of sewer reticulation in Jamestown	2017/18 R15 400 000 Adjusted Budget: R 4 000 000.	MIG	Walter Sisulu LM	TBA	2017/18 Exp. = R1,810,430.81	Progress: Construction ≤50%		<p>The sewer line project was challenged when it was at 50% complete and therefore was instructed by a Supreme Court of Appeals to stop. The judgement was received only late in June 2018, where the SCA instructed that procurement should start from scratch. The budget was adjusted during Budget Adjustment period from R 15 400 000.00 to R 4 000 000.00, after it was noticed that the court case was delaying</p>
Jamestown Bucket Eradication and Sanitation - Phase 2 Contract: JGDM 2014/15-001 (Pump stations)	The project constitute the following: 1. Construction of two Pump stations	2017/18 R15 400 000 Adjusted Budget: R 4 000 000.	MIG	Walter Sisulu LM	TBA	2017/18 Exp. R 4 202 301.35	Progress: Construction ≤99%		<p>The main contractor has ceded the M&E work to a specialist sub-contractor and they are on site already. Pumps have already been installed.</p> <p>The project is practically complete and now the pump stations are awaiting Eskom for electrification. The budget was adjusted during Budget Adjustment period from R 15 400 000.00 to R 4 000 000.00. The project picked up pace later on in the financial year and ended up going over the adjusted budget, however still within the overall grant allocation.</p>



Senqu Sanitation VIP Toilet Programme	Project is implemented by Implementation Agent for JGDM. The project scope is basically the construction of VIP toilet in various Senqu LM villages	2017/18 R25 000 000.0 Adjusted Budget: R 45 500 000	MIG	Senqu LM	TBA	2017/18 Exp. = R43 860 473,30	Progress: Construction ≤100% This does not talk to the actual in APR		The project has started and there are 26 Local SMMEs appointed in Senqu area to complete the VIP toilets. A total of 2585 VIP toilets have been completed this FY. Most of the budget that was adjusted from other slow moving project was moved to this project from R 25 000 000.00 to R 45 500 000.00. The budget that could not be spent on this project moved to over spending projects and back-up project (Upscaling and upgrading of Barkly East Bulk Water Infrastructure)
Elundini Sanitation VIP Toilet Programme	Project is implemented by Implementation Agent for JGDM. The project scope is basically the construction of VIP toilet in various Elundini LM villages	2017/2018 R24 500 000 Adjusted Budget: R 45 655 000	MIG	Elundini LM	TBA	2017/2018 R43 237 996,12	Progress: Construction ≤100%		The project has started and there are 32 Local SMMEs appointed in Elundini area to complete the VIP toilets. A total of 3918 VIP have been completed this FY. This does not talk to the actual in APR. Most of the budget that was adjusted from other slow moving project was moved to this project from R 24 500 000.00 to R 45 655 000.00. The budget that could not be spent on this project moved to over spending projects and back-up project (Upscaling and upgrading of Barkly East Bulk Water Infrastructure)

Senqu Rural Water Supply Network Extension	<p>The scope of the project can be summarised as follow:</p> <p>Water supply to the FF:</p> <ol style="list-style-type: none"> 1. The rural areas (zones 1 to 5 and zone 9) supplied with water from the Jozana's Hoek dam (surface water supply) 2. A total of 30 remote rural villages (zones 6 to 8) with an average size of 330 households per village (803 largest and 74 smallest) supplied with water from standalone borehole schemes. 	2017/18 R25 000 000	MIG	Senqu LM	TBA	2017/18 Exp. = R 22 672 634	Progress: Construction ≤70%	<p>There were four contracts under this project, and three are still on site while one has completed its portion of the work.</p> <p>There were challenges with regards to the Implementing Agent not paying the contractors, however that has been sorted and contractors are back on site.</p> <p>One of the 3 PSP left has completed its portion of work in June 2018 which was in Penhoek, the other 2 are still working as they started a bit late.</p>
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Upscaling and Upgrading of Barkly East Bulk Water Supply	<p>The project entails the following activities for 2017/18 FY:</p> <ol style="list-style-type: none"> 1) Source Funding for the project as it was dropped by the initial funder 2) Settle unpaid invoices from the previous funder 3) Kick start the project and bring back service providers on site 4) The project scope was initially to upgrade water abstraction infrastructure at the river, upgrade rising main to the WTW, upgrade the WTW, construction of a pipeline from the WTW to the reservoir, construction of a reservoir and bulk gravity pipeline from the reservoir to Barkly East 298 new settlement 	2017/18 Budget Back-up project R 15 216 594	MIG	Senqu	01/09/2018 30/06/2020	2017/18 FY Exp = R12 969 199,27	Progress: Construction <=50%	<p>The project was initially funded by the Department of Human Settlement (DoHS), however they never honoured their commitment and the project was left hanging.</p> <p>JGDM engaged provincial CoGTA and they agreed to fund the project through MIG, and applications were done and were approved in June 2018.</p> <p>The outstanding invoices of Service providers were paid in June 2018, and the rest will be processed in 2018/19 financial year</p> <p>The project is now included in the MIG implementation plan for 2018/19 and 2019/2020 FYs.</p> <p>The PSP is already reviewing the project design as MIG approved to fund the entire project scope.</p> <p>The contractor is expected to establish site at the end of August 2018 next financial year.</p> <p>This project was included as a back-up project and the difference from budget and expenditure was moved to overspending projects</p>
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RBIG Funded Sterkspruit WWTW & Bulk Infrastructure	Provision of Professional Services for Feasibility and Implementation Ready Studies; And Design and Construction Management of Sterkspruit Regional WWTW and Associated Bulk Infrastructure in Senqu LM	2017/18 R 3 000 000	RBIG	Senqu LM	12/08/2014 completed	2017/18 Exp. =R2 373 584.86	Progress: Design & Tender	The Sterkspruit Regional WWTW has been endorsed by Department of Water and Sanitation (DWS) at the Eastern Cape Technical Appraisal Committee (ECTAC) meeting that was on 13/03/2018 and a go ahead for implementation has been granted. JGDM is now awaiting funding letter in order to proceed with the procurement of the contractor By the end of June 2018, there was still no response from DWS Total allocation for these two projects funded by RBIG was R 6 000 000 for 2017/18 FY, and the allocation was 100% spend.
RBIG Funded: Lady Grey Bulk Water Supply	The Zachtvelei Dam and Karringmeekspruit projects currently form part of the broader RBIG funded project to address Lady Grey's medium- to long-term water requirements (the EC Treasury funded projects address Lady Grey's immediate water needs).	2017/18 R3 000 000	RBIG	Senqu LM	12/08/2014 completed	2017/18 Exp. 3 626 415 =R	Progress: Design & Tender	The project has been presented to the DWS through their ECTAC meeting on 13/03/2018 and has been endorsed by ECTAC and now will be presented to ECPCC to approval of project funding. By the end of June 2018, there was still no response from DWS Total allocation for these two projects funded by RBIG was R 6 000 000 for 2017/18 FY, and the allocation was 100% spend.

Sub-Project 1: Lady Grey: Borehole Pump stations and Storage Reservoirs	The project entails the following: (1) Equipping 7 Boreholes with complete pump houses propelled with electrical power (2) 50kl storage reservoir, (3) 160mm gravity main into the reticulation network, and (4) inclusive of certain emergency works.	Total budget R20M 2017/18 R10M	ECPT	Senqu LM	26/04/2016 14/07/2017	Total Exp. Prev. FYs = R19.4M 2017/18 Exp. = R498K	Progress: (retention)	Completed	<p>The PSP was appointed on a turnkey basis (i.e. design and construct).</p> <ul style="list-style-type: none"> The project is complete with the following snags: Installation of Eskom electricity and connection to pump stations -- All payments have been done and we are awaiting Eskom installation The Water Use License application for water abstraction is in process.
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Sub-Project 4: Lady Grey: Additional Storage Reservoirs and Groundwater supplies	The project entails the following: (1) Equipping 3 boreholes with complete pump houses propelled with electrical power, (2) 3 Storage Reservoirs (1ML, 300KL & 100KL), (3) 250mm bulk line and (4) 160mm gravity main into the reticulation network	Total Budget R35.8M 2017/18 R35.8M	ECPT	Senqu LM	22/04/2017 30/04/2018	Total Exp. Prev. FYs = R4.4M 2017/18 Exp.= R21 603 475	Progress: Construction ≤ 60%		The Contractor experienced cash flow constraints and requested to appoint a sub that has financial capacity • The Contractor then appointed a sub-contractor to complete the three reservoirs in the contract. • The Sub-contractor struggled with cash flows as well and have since pulled out of the project • The Municipality is weighing the options of terminations as the situation of the main contractor is still the same
Aliwal North: The Outfall sewer from SPA to the Nursery PS	The project entails the Construction of the East Sewer Line and Associated Works	Total Budget R21.5M 2017/18 R5M	ECPT	Walter Sisulu LM	8/04/2016 3/11/2017	Total Exp. Prev. FYs = R17.8M 2017/18 Exp.= R3,077,628.09	Progress: Complete (retention) 100%		This grant is a schedule 6, and therefore the monitoring of the budget sits with Eastern Cape Provincial Treasury. Certificate of Completion was issued on 2 November 2017 • The servitudes where the sewer crosses even have to be surveyed by a Land Surveyor.

Aliwal North: Reconstruction of the Nursery Pump Station (NPS)	The works constitute the construction of the following: (1) New pump station fitted with adequate modern submersible pumps and a stand-by generator. (2) Emergency sewer reconstruction in Dukathole was also included in the project.	Total Budget R4.1M 2017/18 R800,000.00	ECPT	Water LM Sisulu LM	8/10/2015 10/11/2016	Total Exp. Prev. = FYs R4,043,377.07 2017/18 Exp = R202,168.82 (Retention Release)	Progress: Complete	100%		Practical Completion – Certificate of Practical Completion issued on 10 November 2016 • Certificate of Completion of Certificate of Completion issued on 24 November 2016 • Final Approval Certificate – Final inspection was done, Final Approval Certificate was issued on 20 November 2017.
Aliwal North: Rehabilitation of the pumping and gravity main between the Nursery Pump Station and Phola Park Pump Station	The works constitute the following: (1) Construction of a new pumping main along a new alignment. (2) Increasing the diameters (315mm Ø) to cope with the increased and future flow volumes.	Total Budget R5M 2017/18 R700,000.00	ECPT	Water LM Sisulu LM	6/04/2016 6/10/2016	Total Exp. Prev. = FYs R4,829,484.60 2017/18 Exp = R0 (Retention Release) Retention is invoiced. A guarantee is in place in lieu of the retention)	Progress: Complete	100%		Practical Completion – Certificate of Practical Completion issued on 6 October 2016 • Certificate of Completion of Certificate of Completion issued on 20 November 2016 • Final Approval Certificate – Final inspection was done, Final Approval Certificate was issued on 20 November 2017.
Aliwal North: Reconstruction of the Pumping Main from PPPS to the Waste Water Treatment Works	The works on this project constituted the following: (1) Reconstruction of the Pumping Main from PPPS to the Waste Water Treatment Works	Total Budget R4M 2017/18 R500,000.00	ECPT	Water LM Sisulu LM	6/04/2016 6/10/2016	Total Exp. Prev. = FYs R3,794,540.98 2017/18 Exp = R189,727.05 (Retention Release)	Progress: Complete	100%		Practical Completion – Certificate of Practical Completion issued on 28 October 2016 • Certificate of Completion of Certificate of Completion issued on 9 November 2016 • Final Approval Certificate – Final inspection was done, Final Approval Certificate was issued on 20 November 2017.

Replacement of Water Mains in La Rochelle Street, in Burgersdorp	The project was to replace the pipeline system in La Rochelle street in Burgersdorp	Total Budget R9,598,843.09 2017/18 R500,000.00	ECPT	Walter Sisulu LM	14/03/2016 04/10/2017	Total Exp. Prev. FYs= R9,365,536.01 2017/18 Exp= R0	Progress: complete (Retention)	100%	<p>Lead PSP held a meeting on the 16th of November 2017 with JGDM maintenance to resolve the issue of house connections and commissioning of the new line which were not done, as problems that were not detected during construction were picked up after the final completion was issued. And it was agreed that the contractor that is working there Burgersdorp on a related project should complete the connections</p> <ul style="list-style-type: none"> • Material have been purchased and the contractor plans to install the fitting by August 2018 • The project is complete and it is on defects liability period. • This grant is a schedule 6, and therefore the monitoring of the budget sits with Eastern Cape Provincial Treasury.
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Replacement of Water Mains in Queenstown Road, in Burgersdorp	The objective of the project was to replace the pipeline system in Queenstown Road in Burgersdorp	Total Budget R7,616,844.52 2017/18 R1,000,000.00	ECPT	Walter Sisulu LM	14/03/2016 16/05/2017	Total Exp. Prev. FYs= R6,632,064.64 2017/18 Exp = R0	Progress: 100% Complete (Retention)	👉	<p>Lead PSP held a meeting on the 16th of November 2017 with JGDM maintenance to resolve the issue of house connections and commissioning of the new line which were not done, as problems that were not detected during construction were picked up after the final completion was issued. And it was agreed that the contractor that is working there Burgersdorp on a related project should complete the connections</p> <ul style="list-style-type: none"> • Material have been purchased and the contractor plans to install the fitting by August 2018 • The project is complete and it is on defects liability period.
Refurbishment of Klip Chiappinni's Dam 2	The objective of the project was to rehabilitate Chiappinni Klip dam	Total Budget R5,801,819.10 2017/18 R500,000.00	ECPT	Walter Sisulu LM	9/04/2016 13/02/2017	Total Exp. Prev. FYs= R4,901,649.34 2017/18 Exp = R0	Progress: 100% Complete (Retention)	👉	<p>The project is complete.</p> <ul style="list-style-type: none"> • Penalties will be applied for late completion of project on the last Payment Certificate. • Fencing and grassing will be done as a separate project.

Replacement of Water Mains in Rose Road, Burgersdorp	The objective of the project was to replace the pipeline system in Rose Road in Burgersdorp	Total Budget R10,048,712.54 2017/18 R500,000.00	ECPT	Walter LM Sisulu	24/10/2016 26/06/2017	Total Exp. Prev. FYs= R7,404,243.23 2017/18 Exp= R0	Progress: Complete (Retention) 100%		The project is complete and is on defects liability stage. • Penalties will be applied for late completion of project on the last Payment Certificate.
Burgersdorp Sump Plantation and Boreholes	The project entails the construction of Sump next to the Burgersdorp WTW	Total Budget R8,708,192.95 2017/18 R11,500,000.00	ECPT	Walter LM Sisulu	11/05/2017 11/11/2018	Total Exp. Prev. FYs= R0 2017/18 Exp= R3 430 779.04	Progress: Construction ≤80%		It was unfortunate here that the director of the appointed contractor passed away, and while he was terminally ill he agreed to cede the entire job to his sub-contractor and this process delayed the project a bit. • The project is progressing well and is planned to be completed by the end of November 2018 This grant is a schedule 6, and therefore the monitoring of the budget sits with Eastern Cape Provincial Treasury.
Steinsburg Koppie Water Supply	The project constituted of the following: (1) Construction of Three boreholes with their pump houses (2) Bulk main and gravity main to the existing reticulation network (3) Reservoir	Total Budget R7,935,323.4 2017/18 R4,000,000.00	ECPT	Walter LM Sisulu	11/10/2016 07/11/2017	Total Exp. Prev. FYs= R 5,707,593.97 2017/18 Exp.= R 809,412.28	Progress: Construction ≤100%		The project was completed in December 2017, and is now on defects liability period which will end in December 2018

6ML Reservoir Storage at Burgersdorp WTW	Construction of 6ML reservoir next to the Burgersdorp WTW	Total Budget R26,667,014.8 0	ECPT	Walter Sisulu LM	09/11/2017 28/11/2018	Total Exp. Prev. FYs= R 0 2017/18 Exp.= R1 006 000.00	Progress: Construction <=25%		<p>It was unfortunate here that the director of the appointed contractor passed away, and while he was terminally ill he agreed to cede the entire job to his sub-contractor and this process delayed the project a bit.</p> <ul style="list-style-type: none"> The project is progressing well and is planned to be completed by the end of November 2018 <p>This grant is a schedule 6, and therefore the monitoring of the budget sits with Eastern Cape Provincial Treasury.</p>
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APPENDIX E: LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIP

Non-Infrastructure Projects

ID NO	DESCRIPTION OF SERVICE	END-USER/PROJECT MANAGER	CONTRACTOR/SERVICE PROVIDER	DURATION	START DATE	EXPIRY DATE	CONTRACT AMOUNT	PAYMENTS MADE TO DATE	EXTENSION / VARIATION	COMMENTS
7/2011	Provision of Banking services	Mr C. Samuels	ABSA Bank	60 Months	01/10/2011	30/09/2016 Extended to 31/12/2018	Rate base	R683 829 955.34 (13-09-2011 to 30-06-2018)	N/A	Contract running satisfactorily
2/2011	Provision of Municipal Insurance	Ms. N. Motswa	Lateral Union Insurance Brokers (Pty) Ltd	36 Months	01/09/2012	30/08/2016 Extended to 31/12/2018	R86 640.00	R15 573 934.28 (Yearly premium) (25-09-2012 to 30-06-2018)	Yes (Premium Adjustment etc)	Contract running satisfactorily. The end-user has included some items and thus increased premium.
Single Source	Loading of Franking Machine (Postage stamps)	Corporate Services	Fin Tech Creditor Postage	24 Months	01/08/2000	Ongoing	Rate based	R43 384.28 Initially (10/09/2012 to 20/05/2013), but now on a month to month basis.	N/A	Contract running satisfactorily
3DM2012/13-002	Provision of Internal Audit, Information technology and Forensic Services	Ms. A. Mahamba	KPMG	36 Months	20/01/2013	30/06/2017 Extended to 31/10/2017	Rates based	R5 664 469.34 (20/11/2012 to 31/10/2017)	Yes	Contract running satisfactorily
3DM2013/14-034	Provision of employment checks	S. Botha	Managed Integrity Evaluation (Pty) Ltd	36 Months	01/12/2014	31/11/2017	Rates base	R92 756.84 (31/03/2015 to 30/11/2017)	N/A	Contract running satisfactorily
3DM2014/15-004	Supply and Delivery of Tyres, Tubes and Flaps	U. Rozani	Celeba cc/ta Hi-Q Alival North	36 Months	11/12/2014	11/12/2017 Extended to 30/09/2018	Rates base	R2 723 791.31 (13/01/2015 to 30-06-2018)	N/A	Contract running satisfactorily

D NO	DESCRIPTION OF SERVICE	END-USER/ PROJECT MANAGER	CONTRACTOR/ SERVICE PROVIDER	DURATION	START DATE	EXPIRY DATE	CONTRACT AMOUNT	PAYMENTS MADE TO DATE	EXTENSION / VARIATION	COMMENTS
DM2013/14-002	Appointment of a service provider to offer Financial Service support to JGDM	S. Du Toit	Price Waterhouse Coopers	36 Months	17/11/2014	17/11/2017 Extended to 31/12/2018	Rates base	R2 849 729.86 (01/05/2014 to 30/06/2018)	N/A	Contract running satisfactorily Formatted: Space After: 3 pt Formatted Table
Single Source	Implementation and continuation of the billing function	Ms S. Du Toit	Sebatla Municipal Solutions	36 Months	09/06/2014	31/05/2017 Extended to 31/12/2018	Rates base	R58 066 225.01 (06/08/2015 to 31/06/2018)	N/A	Contract running satisfactorily Formatted: Space After: 3 pt
DM2015/16-004	Appointment letter of a service provider to offer Certificate in Municipal Finance Management Learnership	Ms N. Nelani	Kgolo Business Trust t/a Kgolo Institute	12 Months	01/10/2015	31/09/2016 Extended	R683 088.00	0.00	N/A	Order not placed. Funds transferred to LGSETA. Formatted: Space After: 3 pt Formatted Table
DM2014/15-002	Supply and Delivery of Cutting Edge Grader Blades and nuts	Mr U. Rozani	Universal Equipment (Pty)Ltd	24 Months	01/01/2015	31/12/2017	Rates base	R425 501.02 (09/02/2015 to 31/12/2017)	N/A	Contract running satisfactorily Formatted: Space After: 3 pt
DM2014/15-003	Provision of Security Services - Gariep	Ms L. Matvesini	ImbokothoMkhonto Security Services	36 Months	01/07/2015	27/06/2018	Rates based	R1 609 660.85 (20/08/2015 to 30/06/2018)	N/A	Contract running satisfactorily Formatted: Space After: 3 pt
DM2014/15-007	Supply and Delivery of Stationery	Mr D. Van Wyk	Mbuzone Holding NRG Office Solutions Life Junkiez (Pty) Ltd	36 Months	02/04/2015	02/03/2018	Rates base	R611 797.48 R1 293 628.71 R1 552 502.88	N/A	Contract running satisfactorily Formatted: Space After: 3 pt
DM2014/15-008	Review of Water Services Development Plan for JGDM	Mr B. Makhehle	Element Consulting Engineers (PTY) Pty	36 Months	01/01/2015	31/12/2017	Rates base	R1 105 235.12 (24/07/2015 to 31/03/2018)	N/A	Contract running satisfactorily Formatted: Space After: 3 pt
DM2014/15-018	Appointment of a service provider to supply, delivery and offloading of Coagulants, Ga. Liquid, Granular Chlorine Soda Ash and Lime	Mr B. Makhehle	Metsi Water Solutions (Pty) Ltd	36 Months	04/04/2016	03/04/2019	Rates base	R6 416 079.82 (20/06/2016 to 30/06/2018)	N/A	Contract running satisfactorily Formatted: Space After: 3 pt

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GDM2014/15-020	Provision of Security Services - Senqu	Ms L. Matvesini	ImbokothoMkhonto Security Services	36 Months	01/10/2015	30/09/2018	Rates based	R4 156 445.13 (01/10/2015 to 30/06/2018)	N/A	Contract satisfactory Formatted: Space After: 3 pt Formatted Table
GDM2014/15-020	Provision of Security Services - Elundini	Ms L. Matvesini	ImbokothoMkhonto Security Services	36 Months	01/10/2015	30/09/2018	Rates based	R2 786 927.43 (01/10/2015 to 30/06/2018)	N/A	Contract satisfactory Formatted: Space After: 3 pt
GDM2014/15-020	Provision of Security Services - Maletswai	Ms L. Matvesini	Yotihle Security Services	36 Months	01/10/2015	30/09/2018	Rates based	R1 303 588.30 (01/10/2015 to 30/06/2018)	N/A	Contract satisfactory Formatted: Space After: 3 pt
GDM2014/15-021	Appointment of a Service Provider to offer Legal Service Support to JGDM	Ms N. M. Libasi	Clark Laing Inc Attorneys	36 Months	01/10/2015	31/09/2018	Rates Based	R2 509 341.53 (03/11/2015 to 30/06/2018)	N/A	Contract satisfactory Formatted: Space After: 3 pt Formatted Table
GDM2014/15-035	Supply and Delivery of barriers	U. Rozani	HI - Q. Allwal North	36 Months	01/06/2015	30/05/2018 Extended to 30/09/2018	Rates base	R235 297.04	N/A	Contract satisfactory Formatted: Space After: 3 pt
INGLE SOURCE	Laboratory services	Mr B. Makhehle	East London Industrial Development zone	36 Months	01/01/2015	31/12/2018	Rates basis	R6 556 442.71 (07/04/2015 to 30/06/2018)	N/A	Contract satisfactory Formatted: Space After: 3 pt
33/2015-HR	Appointment of a service provider for provision of support in Human Resources management	Mr S. Botha	Charmaine van Schaikwks Consulting	36 Months	17/12/2015	17/12/2018	Rates basis	R1 683 537.69 (18/12/2015 to 30/06/2018)	N/A	Contract satisfactory Formatted: Space After: 3 pt
	Provision of Travel Agency Services	Ms N. Mlotywa	LithabaBasadi Investments t/a Lithaba Travels	36 Months	01/03/2016	28/02/2019	Rates basis	R16 349 844.49 (01/03/2016 to 30/06/2018)	N/A	Contract satisfactory Formatted: Space After: 3 pt
ETS/Tel01	Appointment of a service provider to supply and install a monitored system	Mr L. Gush	Singa Tel (Pty) Ltd t/a NET 15	36 Months	01/07/2016	30/06/2019	Rates Basis	R3 079 939.42 (01/02/2017 to 30/06/2018)	N/A	Contract satisfactory Formatted: Space After: 3 pt
IT-25 2016	Procurement of an Integrated Financial Management and Internal control system	Ms S Du Toit	Sebata Municipal Solutions (Pty) Ltd	36 Months	01/12/2016	30/11/2019	Rates based	R4 745 125.60	N/A	Contract satisfactory Formatted: Space After: 3 pt

<u>ID NO</u>	<u>DESCRIPTION OF SERVICE</u>	<u>END-USER/ PROJECT MANAGER</u>	<u>CONTRACTOR/ SERVICE PROVIDER</u>	<u>DURATION</u>	<u>START DATE</u>	<u>EXPIRY DATE</u>	<u>CONTRACT AMOUNT</u>	<u>PAYMENTS MADE TO DATE</u>	<u>EXTENSION / VARIATION</u>	<u>COMMENTS</u>
	as it relate to the utilization of transversal tender.									Formatted: Space After: 3 pt Formatted Table
GDM2015/16-023	Appointment for Supply and Delivery of Fencing Material	Ms N. Kilishe	Songo- Qholo (Pty) Ltd	36 Months	01/02/2017	31/01/2020	Rates based	0.00	N/A	Order no placed Formatted: Space After: 3 pt
GDM2015/16-030	Appointment of a service provider to perform duties of a company secretary and provider Legal services for JOGEDA	Ms N. Kethwa	Clark Laining Inc	36 Months	01/10/2016	30/09/2019	Rates basis	R713 991.84	N/A	Contract satisfactory Formatted: Space After: 3 pt
GDM2015/16-022	Appointment of a service provider to Supply and Deliver all-purpose cement	Ms N. Kilishe	S and J Dynamic Trading	36 Months	01/10/2016	30/09/2019	Rates basis	R472 777.50 (18/10/2016 to 30/06/2018)	N/A	Contract satisfactory Formatted: Space After: 3 pt
GDM2016/17-2006	External Audit Services	Ms N. Kilishe	Morar Incorporated	36 Months	01/09/2016	31/08/2019	R84 672 per annum	R337 726.22	N/A	Contract satisfactory Formatted: Space After: 3 pt
GDM2016/17-205	Appointment of an Events Agent to manage and facilitate event management and catering for Joe Gqabi District Municipality Events	Mr M. Dyanvi	Iggabi Solutions	36 Months	17/05/2017	17/05/2020	15% for every event management	R2 345 016.39	N/A	Contract satisfactory Formatted: Space After: 3 pt
GDM2016/17-210	Supply and Delivery of Lubricants	Mr U. Rozani	Barkly East Motors	36 Months	01/07/2017	30/06/2020	Rates based	R458 519.92	N/A	Contract satisfactory Formatted: Space After: 3 pt
GDM2016/17-2015	Supply and Delivery of Steel Reinforcement Mesh	Ms N. Kilishe	S and J Dynamic Trading	36 Months	01/07/2017	30/06/2020	Rates based	0.00	N/A	Order no placed Formatted: Space After: 3 pt
GDM2016/17-018	Supply and Delivery of Computers and Other IT Equipment	Mr L. Gush	SMS ICT CHOICE (PTY) LTD	36 Months	01/08/2017	31/07/2020	Rates based	R46 910.20	N/A	Contract satisfactory Formatted: Space After: 3 pt
GDM2016/17-018	Supply and Delivery of Computers and Other	Mr L. Gush	Genbiz Trading 1001 (PTY) Ltd t/a	36 Months	01/08/2017	31/07/2020	Rates based	R52 193.99 (08/08/2019 to	N/A	Contract satisfactory Formatted: Space After: 3 pt

BID NO	DESCRIPTION OF SERVICE	END-USER/ PROJECT MANAGER	CONTRACTOR/ SERVICE PROVIDER	DURATION	START DATE	EXPIRY DATE	CONTRACT AMOUNT	PAYMENTS MADE TO DATE	EXTENSION/ VARIATION	COMMENTS	Formatted: Space After: 3 pt Formatted Table
	IT Equipment		Aloe Office and Business Equipment					30/06/2018			
JGDM2016/ 7-019	Supply and Delivery of Sprinklers	Mr R. Labuschagne	Yebo Sales Wildcoast cc	36 Months	01/08/2017	31/07/2020	Rates based	0.00	N/A	Order not placed	Formatted: Space After: 3 pt
JGDM2016/ 7-004	Supply and Delivery of Corporate gifts	Ms L. Brummer	BLB Printing corner (Pty) Ltd	36 Months	01/10/2017	30/09/2020	Rates based	R15 226.00	N/A	Contract satisfactory	Formatted: Space After: 3 pt
JGDM2016/ 7-006	Supply, Installation, Commissioning and Management of water and wastewater services infrastructure telemetry system inclusive of online water quality monitoring system.	Mr D. Lusawana	Hybrid Control Corporation	36 Months	05/10/2017	05/10/2020	Rates based	R8 485 226.34	N/A	Contract satisfactory	Formatted: Space After: 3 pt
JGDM2016/ 7-003	Supply, Delivery, Installation of Branding Material	Ms L. Brummer	Bravo Afrika Holdings cc	36 Months	01/12/2017	30/11/2020	Rates Based	0.00	N/A	Order not placed	Formatted: Space After: 3 pt
JGDM2016/ 7-003	Supply, Delivery, Installation of Branding Material	Ms L. Brummer	Amended Recline Trading & Projects	36 Months	01/12/2017	30/11/2020	Rates Based	0.00	N/A	Order not placed	Formatted: Space After: 3 pt
JGDM2016/ 7-008	Supply and Delivery of Consumables and other Cleaning Material	Ms L. Matvesini	MXT Construction and Services	36 Months	01/11/2017	31/10/2020	Rates Based	R36 242.15	N/A	Contract satisfactory	Formatted: Space After: 3 pt Formatted Table
JGDM2016/ 7-008	Supply and Delivery of Consumables and other Cleaning Material	Ms L. Matvesini	Inzaliseko Trading Enterprise	36 Months	01/11/2017	31/10/2020	Rates Based	R159 299.25	N/A	Contract satisfactory	Formatted: Font: (Default) Arial, 9 pt Formatted: Space After: 3 pt
JGDM2016/ 7-008	Supply and Delivery of Consumables and other Cleaning Material	Ms L. Matvesini	Chongwa Investments Holdings	36 Months	01/11/2017	31/10/2020	Rates Based	R17037.42	N/A	Contract satisfactory	Formatted: Space After: 3 pt
JGDM2016/ 7-008	Supply and Delivery of Consumables and other Cleaning Material	Ms L. Matvesini	Copper Leaf Trading 580 cc	36 Months	01/11/2017	31/10/2020	Rates Based	R42 220.32	N/A	Contract satisfactory	Formatted: Space After: 3 pt

NO	DESCRIPTION OF SERVICE	END-USER/ PROJECT MANAGER	CONTRACTOR/ SERVICE PROVIDER	DURATION	START DATE	EXPIRY DATE	CONTRACT AMOUNT	PAYMENTS MADE TO DATE	EXTENSION / VARIATION	COMMENTS	Formatted: Space After: 3 pt Formatted Table
DM2016/17-14	Supply and Delivery of Agricultural Lime	Ms N. Kilishe	Magricor (Pty) Ltd	36 Months	01/12/2017	30/11/2020	Rates Based	0.00	N/A	Order not placed	Formatted: Space After: 3 pt
DM2017/18-001	Infrastructure Assets Management Support	Mr R. Fortuin	Aurecon South Africa (PTY) Ltd	36 Months	01/06/2018	31/05/2021	Rates Based	0.00	N/A	Order not placed	Formatted: Space After: 3 pt
DM2017/18-002	Provision of Vacuum Tankers Services	Mr D. Lusawana	Buyanako Projects (Pty) Ltd	36 Months	01/05/2018	30/04/2021	Rates Based	0.00	N/A	Order not placed	Formatted: Space After: 3 pt
DM2017/18-002	Provision of Vacuum Tankers Services	Mr D. Lusawana	Monguni Investment cc	36 Months	01/05/2018	30/04/2021	Rates Based	0.00	N/A	Order not placed	Formatted: Space After: 3 pt
DM2017/18-003	Provision of Training Agent	Ms N. Nelani	Academy of Training Agent Services	36 Months	01/05/2018	30/04/2021	Rates Based	0.00	N/A	Order not placed	Formatted: Space After: 3 pt
DM2017/18-003	Provision of Training Agent	Ms N. Nelani	LizwaNtlati Trading cc	36 Months	01/05/2018	30/04/2021	Rates Based	0.00	N/A	Order not placed	Formatted: Space After: 3 pt
DM2017/18-008	Supply and Delivery of Personal Protective Clothing and Equipment	Mr N. Mayosi	Heed SA (Pty) Ltd	36 Months	01/05/2018	30/04/2021	Rates Based	0.00	N/A	Order not placed	Formatted: Space After: 3 pt
DM2017/18-010	Supply, Delivery, Installation and Servicing of Fire Equipment	Mr N. Mayosi	Magnum Fire	36 Months	01/06/2018	31/05/2021	Rates Based	0.00	N/A	Order not placed	Formatted: Space After: 3 pt
DM2017/18-010	Supply, Delivery, Installation and Servicing of Fire Equipment	Mr N. Mayosi	Technofire Services	36 Months	01/06/2018	31/05/2021	Rates Based	0.00	N/A	Order not placed	Formatted: Space After: 3 pt
DM2017/18-015	Annual Medical Surveillance	Mr N. Mayosi	Lichaviva Investment t/a Lichaviva Occupational Health and Safety Consultants	36 Months	01/05/2018	30/04/2021	Rates Based	0.00	N/A	Order not placed	Formatted: Space After: 3 pt

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INFRASTRUCTURE RELATED PROJECTS											Formatted	...	[372]
2 NO	DESCRIPTION OF SERVICE	END-USER /PROJECT MANAGER	CONTRACTOR /SERVICE PROVIDER	DURATION	START DATE	EXPIRY DATE	CONTRACT AMOUNT	PAYMENTS MADE TO DATE	EXTENSION /VARIATION	COMMENTS	Formatted	...	[373]
2011	Vacuum Tanking Services @ Maclear	Mr. D. Lusawana	Escav Catering & Other Services cc	36 Months	01/09/2012	30/06/2016 Extended 30/09/2018	R2 100.00 daily rates. Rate reviewed to R3 000/day.	R9 570 984.95 (05/10/2012 to 30/06/2018)	Yes	Contract still running satisfactorily	Formatted	...	[374]
2011	Vacuum Tanking Services @ Mount Fletcher	Mr. D. Lusawana	Umnocunube Trade & Invest cc	36 Months	01/09/2012	30/06/2016 Extended 30/09/2018	R2 100.00 daily rates. Rate reviewed to R3 000/day.	R4 716 997.38 (05/10/2012 to 30/06/2018)	Yes	Contract still running satisfactorily	Formatted	...	[375]
2011	Vacuum Tanking Services @ Sterkspruit	Mr. D. Lusawana	Eagle Ukhozi Transport cc	36 Months	01/09/2012	30/06/2016 Extended 30/09/2018	R2 100.00 daily rates. Rate reviewed to R3 000/day.	R959 393.23 (05/10/2012 to 30/06/2018)	Yes	Contract terminated due to poor performance	Formatted	...	[376]
21/2011	Vacuum Tanking Services @ Jamestown	Mr. D. Lusawana	Amadwala Trading 363 cc	36 Months	01/09/2012	30/06/2016 Extended 30/09/2018	R1 600.00 daily rates. Rate reviewed to R3 000/day.	R11 863 739.71 (21/09/2012 to 30/06/2018)	Yes	Contract still running satisfactorily	Formatted	...	[377]
2011	Vacuum Tanking Services @ Burgersdorp	Mr. D. Lusawana	Algoa Plant Hire cc	36 Months	01/09/2012	30/06/2016 Extended 30/09/2018	R2 100.00 daily rates. Rate reviewed to R3 000/day.	R6 258 647.64 (27/09/2012 to 30/06/2018)	Yes	Contract still running satisfactorily	Formatted	...	[378]
2011	Vacuum Tanking Services @ Venterstad	Mr. D. Lusawana	Non SoSo Construction cc	36 Months	01/09/2012	30/06/2016 Extended 30/09/2018	R2 050.00 daily rates. Rate reviewed to R3 000/day.	R9 330 700.53 (05/10/2012 to 30/06/2018)	Yes	Contract still running satisfactorily	Formatted	...	[379]
2011	Vacuum Tanking Services @ Steynsburg	Mr. D. Lusawana	Ramalo Construction cc	36 Months	01/09/2012	30/06/2016 Extended 30/09/2018	R2 028.00 daily rates. Rate reviewed to R3 000/day.	R5 803 163.27 (04/10/2012 to 30/06/2018)	Yes	Contract still running satisfactorily	Formatted	...	[395]
Single Source	Implementation of the Rural Water and Sanitation Programme (RWSP)	Mr. R. Fortuin	The Mvula Trust	60 Months	01/08/2016	31/07/2021	12% of the total cost of the programme	R167 508 405.71 (19/08/2016 to 30/06/2018)	N/A	Contract renewed. Contract still running satisfactorily	Formatted	...	[396]
										Contract still running satisfactorily	Formatted	...	[399]
										Contract still running satisfactorily	Formatted	...	[401]
										Contract still running satisfactorily	Formatted	...	[402]
										Contract still running satisfactorily	Formatted	...	[403]

ID NO	DESCRIPTION OF SERVICE	END-USER / PROJECT MANAGER	CONTRACTOR / SERVICE PROVIDER	DURATION	START DATE	EXPIRY DATE	CONTRACT AMOUNT	PAYMENTS MADE TO DATE	EXTENSION / VARIATION	COMMENTS
3DM2013/ 06	Construction of Bulk Sanitation Infrastructure Upgrade for Maclear : Upgrading of Waste Water treatment works Phase 3	Mr Z. Mduba	Amadwala Trading 363 cc	15 Months	01/05/2015	31/08/2016 Extended to 30/10/2018	R23 806 967.96	R13 428 172.41	N/A	Contract still running satisfactorily Formatted: Space After: 3 pt Formatted Table Formatted: Font color: Text 1 Formatted: Space After: 3 pt
3DM2013/ 08	Provision of professional services for the design and construction supervision of Maclear water treatment and distribution upgrade	Z. Mduba	GIBB (Pty) Ltd	36 Months	01/05/2015	20/04/2018	R5 391 262.67	R6 377 010.94	N/A	Contract running satisfactorily Formatted: Space After: 3 pt Formatted: Font color: Text 1 Formatted: Font: (Default) Arial
3DM2013/ 18	Appointment of professional service provider for Sterkspruit Regional Waste Water Treatment Plant and associated Bulk Infrastructure	Mr. R. Fortuin	Dibanani Consulting cc	48 Months	23/07/2014	23/06/2018	R8 711 951.25	R13 684 263.40 (28/11/2014 to 30/06/2018)	N/A	Contract still running satisfactorily Formatted: Space After: 3 pt
3DM2014/ 07	Provision of Professional Services for Design and Construction Supervision of Maclear Bulk Sanitation Infrastructure Upgrade- Phase 4	Z. Mduba	GIBB (Pty) Ltd	18 Months	01/05/2015	30/12/2016 Extended TBA	R1 797 922.15	R12 568 533.98	Yes	Contract running satisfactorily Formatted: Space After: 3 pt Formatted Table Formatted: Font: (Default) Arial Formatted: Font color: Text 1 Formatted: Font color: Text 1

BID NO	DESCRIPTION OF SERVICE	END-USER / PROJECT MANAGER	CONTRACTOR / SERVICE PROVIDER	DURATION	START DATE	EXPIRY DATE	CONTRACT AMOUNT	PAYMENTS MADE TO DATE	EXTENSION / VARIATION	COMMENTS	Formatted: Space After: 3 pt Formatted Table
JGDM2014/15-001	Jamestown Bucket Eradication Phase 2, Stage 2 Pumpstations	Z. Mduba	Amadwala Trading 363 cc	12 Months	01/06/2015	04/07/2016 Extended to 01/12/2017	R18 510 767.40	R11 621 116.97 (30/06/2015 to 30/06/2018)	N/A	Contract run satisfactorily Penalties currently being affected.	Formatted: Space After: 3 pt Formatted Table
JGDM2014/15-009	Jamestown Bucket Eradication Phase 2, Stage 2, Pipeline Sewers	Z. Mduba	Amadwala Trading 363 cc	12 Months	02/05/2017	07/12/2017	R12 020 082.82	R4 669 479.81	N/A	Contract started due to court challenge.	Formatted: Space After: 3 pt Formatted: Font color: Text 1 Formatted: Font: (Default) Arial
Single Source	Joe Gaabi Disaster relief 2014- STEYNSBURG	Mr R. Fortuin	SBA/Sinakhona Consulting JV	36 Months	01/07/2015	30/06/2018	Rates basis	R30 797 458.42 (12/10/2015 to 30/06/2018)	N/A	Contract run satisfactorily	Formatted: Space After: 3 pt
Single Source	Joe Gaabi Disaster relief 2014- ALIWAL NORTH	Mr R. Fortuin	Iskofu Property Development t/a SKC Engineers Maletswai	36 Months	01/04/2017	30/06/2018	Rates basis	R8 100 754.38 (12/10/2015 to 30/06/2018)	N/A	Contract run satisfactorily	Formatted: Space After: 3 pt
Single Source	Lady Grey Bulk water project MG/EC0652	Mr R. Fortuin	Sektor Consulting Engineers/UWP	36 Months	01/07/2017	30/06/2018	Rates basis	R38 220 009.13 (12/10/2015 to 30/06/2018)	N/A	Contract run satisfactorily	Formatted: Space After: 3 pt
JGDM2015/16-001	Provision of upscaling and extension of the Barkly East Bulk water Infrastructure to accommodate the new development of 298 houses in Barkly East	Mr R. Fortuin	Bosch Stereale (Pty) Ltd	11 Months	01/05/2016	30/04/2017 Extended to 30/06/2020	R19 606 609.45	R7 252 501.20	N/A	Contract run satisfactorily	Formatted: Space After: 3 pt Formatted Table Formatted: Font color: Text 1

BID NO	DESCRIPTION OF SERVICE	END-USER / PROJECT MANAGER	CONTRACTOR / SERVICE PROVIDER	DURATION	START DATE	EXPIRY DATE	CONTRACT AMOUNT	PAYMENTS MADE TO DATE	EXTENSION / VARIATION	COMMENTS	Formatted: Space After: 3 pt Formatted Table
JGDM2015/16-020	Appointment of a service provider to undertake the water conservation and demand management implementing agent duties.	Mr D. Luswana	MFS Chartered Accountants	36 Months	01/10/2016	30/09/2019	Rates basis	R24 978 480.67 (20/01/2017 to 30/06/2018)	N/A	Contract run satisfactorily.	Formatted: Font: (Default) Arial Formatted: Space After: 3 pt Formatted: Font: (Default) Arial
JGDM2015/16-010PT	Rehabilitation of Mechanical plant for the waste water treatment works and phola park pump station	R. Fortuin	Lwazcon Earthworks & Plant Hire cc	6 Months	01/04/2016	09/12/2016 Extended to 30/01/2018	R2 924 879.68	R472 561.77 (26/05/2016 to 30/06/2018)	Yes R197 557.00	Project completed	Formatted: Space After: 3 pt Formatted: Font: (Default) Arial
JGDM2015/16-016PT	Gariep Municipality- SteynsburgKoppie Water Supply	R. Fortuin	Batabile Construction Services	6 Months	11/10/2016	11/05/2017 Extended to 28/11/2017	R7 935 323.40	R4 249 880.32	Yes R441 650.56	Project completed	Formatted: Space After: 3 pt Formatted: Font: (Default) Arial
JGDM2016/17-001PT	New Reservoirs and Ground water suppliers	R. Fortuin	RadeeCivils	18 Months	18/04/2018	18/10/2018	R35 815 345.59	R11 501 023.87	N/A	Contract run satisfactorily	Formatted: Font: (Default) Arial Formatted: Space After: 3 pt
JGDM2016/17-002PT	Burgersdorp Plantation sump and Boreholes	R. Fortuin	DDX/ Mvezo Plant Hire	24 weeks	11/05/2017	11/11/2017 Extended to 30/06/2018	R8 708 192.95	R3 497 873.76	N/A	Contract run satisfactorily	Formatted: Font: (Default) Arial, 9 pt Formatted: Font: (Default) Arial, 9 pt
JGDM2016/17-003PT	Burgersdorp Water Treatment works – 6ML storage reservoir	R. Fortuin	DDX/ Mvezo Plant Hire	32 weeks	09/11/2017	11/11/2018	R26 667 014.80	R7 644 350.05	N/A	Contract run satisfactorily	Formatted: Font: (Default) Arial, 9 pt Formatted: Space After: 3 pt Formatted: Space After: 3 pt Formatted: Font: (Default) Arial, 9 pt

Leases and maintenance contracts										
NO	DESCRIPTION OF SERVICE	END-USER/ PROJECT MANAGER	CONTRACTOR/ SERVICE PROVIDER	DURATION	START DATE	EXPIRY DATE	CONTRACT AMOUNT	PAYMENTS MADE TO DATE	EXTENSION / VARIATION	COMMENTS
2009	Financial System Support Agreement	Ms S. Du Toit	Bytes Systems Integration (Pty) Ltd	14 Months	01/09/2014	26/07/2017 Extended to 31/12/2018 (Maintenance contract – ongoing)	R281 880.00	R1 858 583.19 (21/04/2015 to 30/06/2018)	N/A	Contract running satisfactorily.
2010	Supply, Delivery & Maintenance of Printers	Mr. L. Gush	NRG Office Solution /via Gestetner	36 Months	01/07/2010	Month basis	R845 665.00	R3 433 347.57 (08/09/2010 to 30/06/2018)	N/A	Contract running satisfactorily.
Idle source	Escalator Maintenance	Mr. S. Schanick	Otis	60 Months	01/06/2011	31/05/2016 Extended to 31/05/2021	R2 043.29 with escalations every year	R285 167.51 (08/08/2011 to 30/06/2018)	Renewed for a 5 year period.	Satisfactory maintenance regularly performed.
Idle source	Alarm System	Mr. S. Schanick	Guardian Security	12 Months	01/07/2013	Ongoing	R289.99 per building	R114 555.70 (31/2/2010 to 30/06/2018)	Yes Ongoing	Contract running satisfactorily.
Idle source	Payroll Administrator	Ms T. Ngqongwana	Payday Software System (Pty) Ltd	24 Months	01/08/2011	31/07/2013 extended to 30/06/2018	Rate based	R1 858 606.92 (01/08/2011 to 30/06/2018)	Yes	Contract running satisfactorily.
Idle source	Lease of offices and a strong room @ MPCC Building in Sterkspruit	Ms. L.A. Matvesini	Sengu Municipality	12 Months	01/04/2011	31/03/2014 Extended to 31/03/2016 to 31/03/2019	R3 003.00 with escalations yearly	R52 723.00 (29/06/2011 to 30/06/2018)	Yes Renewed (01/04/2012 to 31/03/2014) extended to 31/03/2019	Contract been extended to end on 31/03/2019

single source	Office Accommodation	Ms. L.A. Matvesini	Christian Life Centre	24 Months	01/04/2012	31/03/2014 Extended to 31/03/2020	Rate based plus L & W (Inc yearly escalations)	R3 737 067.94 (01/04/2012 to 30/06/2018)	Yes	Agreement has been extended for a period of two years and still running satisfactory.	Formatted: Space After: 3 pt
35/2011	Office Accommodation (Office in Ugle)	Ms. L.A. Matvesini	Francis Kotze	36 Months	01/04/2012	31/03/2014 Extended to 31/03/2019	R8 500.00	R622 098.16 (01/07/2012 to 30/06/2018)	Yes	Agreement running satisfactorily	Formatted: Space After: 3 pt
single source	Rental of photo copy machine for working for water.	Ms N. Kilishe	Nashua East London	60 Months	01/05/2013	Month basis	R750.00/month	R177 204.65 (28/09/2010 to 30/06/2018)	Renewed	Contract has been renewed for five (5) years from 01/05/2013 to 31/04/2018 and still running satisfactory.	Formatted: Space After: 3 pt
single source	Supply, Installation and Monitoring of the AtechNetstar tracking unit on Mayor's official vehicle	Mr. S. Scharnick	AtechNetstar Fleet Solution (Pty) Ltd	36 Months	01/07/2013	Ongoing	R17 408.94	R433 326.75	N/A	Unit aired supplied and installed into the vehicle. Performance is satisfactory. Additional Units were provided for additional vehicles purchased.	Formatted: Space After: 3 pt
single source	Lease of Office for the Billing office in Maclear	Mr. S. Scharnick	Salabora Enterprise Projects	36 Months	01/11/2015	31/10/2018	R5 700.00pm	R186 226.95 (03/11/2015-30/06/2018)	N/A	Contract running satisfactory	Formatted: Space After: 3 pt

<u>single source</u>	<u>Lease of Office for the Billing office in Alwal North</u>	<u>Mr. S. Scharnick</u>	<u>Mariata Der Walt Trust</u>	<u>36 Months</u>	<u>01/07/2014</u>	<u>30/06/2017</u> <u>Extended till 31/07/2018</u>	<u>R7 200.00pm</u>	<u>R401 588.68</u> <u>(21/01/2015-30/06/2018)</u>	<u>N/A</u>	<u>Contract running satisfactory</u>	<u>Formatted: Space After: 3 pt</u>
<u>single source</u>	<u>Lease of Office for the Billing office in Lady Grey</u>	<u>Mr. S. Scharnick</u>	<u>PS2053 Investment cc</u>	<u>36 Months</u>	<u>01/07/2014</u>	<u>30/06/2017</u> <u>Extended till 30/06/2020</u>	<u>R13 860 pm</u>	<u>R627 912.00</u> <u>(07/12/2017 to 30/06/2018)</u>	<u>N/A</u>	<u>Contract running satisfactory</u>	<u>Formatted: Space After: 3 pt</u>
<u>single source</u>	<u>Lease office for Cashiers in Maletswai Local Municipality</u>	<u>Mr. S. Scharnick</u>	<u>Maletswai Local Municipality</u>	<u>36 Months</u>	<u>01/04/2016</u>	<u>31/03/2019</u>	<u>R300.00pm</u>	<u>0</u>	<u>N/A</u>	<u>Order not placed yet</u>	<u>Formatted: Space After: 3 pt</u>
<u>single source</u>	<u>Lease officer Cashiers office in Senqu Municipality</u>	<u>Mr. S. Scharnick</u>	<u>Senqu Local Municipality</u>	<u>36 Months</u>	<u>01/04/2016</u>	<u>31/03/2019</u>	<u>R3 700.00pm</u>	<u>R57 817.00</u> <u>(18/11/2016 to 30/06/2018)</u>	<u>N/A</u>	<u>Contract running satisfactory</u>	<u>Formatted: Space After: 3 pt</u>
<u>single source</u>	<u>Lease Office for Cashiers office Gariep Local Municipality</u>	<u>Mr. S. Scharnick</u>	<u>Gariep Local Municipality</u>	<u>36 Months</u>	<u>01/04/2016</u>	<u>31/03/2019</u>	<u>R3 500.00pm</u>	<u>0</u>	<u>N/A</u>	<u>Order not placed yet</u>	<u>Formatted: Space After: 3 pt</u>

Volume 2:

Annual Financial Statements



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2018

JOE GQABI DISTRICT MUNICIPALITY

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JOE GQABI DISTRICT MUNICIPALITY

GENERAL INFORMATION

NATURE OF BUSINESS

Joe Gqabi District Municipality is a district municipality performing the functions as set out in the Constitution. (Act No. 108 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (No. 117 of 1998)

JURISDICTION

The Joe Gqabi District Municipality includes the following areas:

Walter Sisulu Local Municipality (Bergensdorp, Venterstad, Steynsburg, Alwal North and Janwestown)
Sengou Local Municipality (Lady Grey, Sterkspruit, Rhodes, Rossouw, Herschel and Barkly East)
Elundini Local Municipality (Macleur, Ugie and Mount Fletcher)

MEMBERS OF THE MAYORAL COMMITTEE AS FROM 3RD AUGUST 2016 ELECTIONS

Executive Mayor	Z J Dimpeta	
Speaker	Y Z Ntshoke	
Councillor	E M Lakabane	Portfolio head: Financial Services
Councillor	S Mbi	Portfolio head: Technical Services
Councillor	L M Tokwe	Portfolio head: Corporate Services
Councillor	D O Mvumvu	Portfolio head: Community Services

MUNICIPAL MANAGER

Mr Z A Williams

ACTING CHIEF FINANCIAL OFFICER

Ms S du Toit

OTHER DIRECTORS AND SENIOR MANAGERS DIRECTLY REPORTING TO THE ACCOUNTING OFFICER

Mr R J Fortuin	- Director: Technical Services
Mr F J Sephton	- Director: Community Services
Mr H Z Jantjie	- Director: Corporate Services
Mr M Nonjola	- Director: Institutional support and advancement
Ms N Mshumi	- Chief Operations Officer
Mr Dlusawana	- Manager Water Service provider

REGISTERED OFFICE

P/Bag X102 Barkly East 9786	C/o Cole and Graham Street Barkly East 9786
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JOE GQABI DISTRICT MUNICIPALITY

GENERAL INFORMATION

AUDITORS

Office of the Auditor General (EC)
Vincent
East London

ATTORNEYS

Clark Laing Inc
East London
5241

PRINCIPAL BANKERS

ABSA
P O Box 323
Bloemfontein
9300

AUDIT COMMITTEE

J Enslie	- Chairperson
F K P Ntsele	- Member
P Mtshana	- Member

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1996)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Labour Relation Amendment Act (Act 6 of 2014)
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations
Municipal Budget and Reporting Regulations
Municipal Regulation on Standard Chart of Accounts (mSCOA)
Disaster Management Act 57 of 2002
Fire Brigade Services Act 29 of 1987
Foodstuffs, Cosmetics and Disinfectants Act 54 of 1972
National Veld and Forest Fire Act 101 of 1998
National Water Act 36 of 1998
National Health Act of 1997
Occupational Health and Safety Act and Regulation 85 of 1993

JOE GQABI DISTRICT MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY COUNCIL

PROPORTIONAL ELECTED COUNCILLORS

Executive Mayor	Z I Dumzela
Speaker	T Z Motyshe
Councillors/ IGDM	EM Lakabane B Mvumvu S Mofe L Tokwe NU Hlatkwa N Ngendane AM van Zyl M Yidwe

REPRESENTATIVE COUNCILLORS

Senqu Local Municipality	AP Kwinana M Phiso NP Mposelwa VV Sotkhwa XG Magczi NM Phamo
Ejundini Local Municipality	S Muthwana M Telle M Masobela L Booka L Pili N Mlapane
Walter Sisulu Local Municipality	S Elweyaya KS Lange DF Hartkopf

JOE GQABI DISTRICT MUNICIPALITY
APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements period ended 30 June 2018, which are set out on pages 1 to 106 in terms of Section 126 (1) of the Municipal Finance Management Act (No. 56 of 2003) and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and I am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr Z A Williams
Municipal Manager

31 August 2018

Date

JOE GQABI DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	Note	2018 R	2017 R
ASSETS			
Current assets		15 295 278	5 084 974
Inventory	2	2 640 898	2 900 069
Cash and Cash Equivalents	3	12 554 380	2 184 905
Current assets from exchange transactions		163 117 758	149 976 895
Receivables from exchange transactions	4	154 075 734	117 290 465
South African Revenue Services	5	9 042 025	32 686 430
Current assets from non-exchange transactions		14 395 662	22 163 551
Unpaid conditional government grants and receipts	6	14 395 662	22 163 551
Non-current assets		1 687 526 349	1 613 407 446
Property, plant and equipment	7	1 681 463 170	1 606 544 571
Investment property	8	2 438 840	2 484 344
Intangible assets	9	452 822	901 023
Non-current investments	10	3 571 508	3 477 508
Total assets		1 880 335 048	1 790 632 866
Current liabilities		30 858 606	30 609 586
Current employee benefits	12	30 858 606	24 836 889
Cash and Cash Equivalents	3		5 672 687
Current lease liability	4.2		
Current liabilities from exchange transactions		111 292 740	110 326 993
Consumer deposits	13	957 847	934 536
Payables from exchange transactions	14	108 750 019	103 425 113
South African Revenue Services	5		
Current portion of long-term liabilities	15	1 584 875	5 947 344
Current liabilities from non-exchange transactions		2 776 738	4 928 428
Unpaid conditional government grants and receipts	6	2 776 738	4 928 428
Non-current liabilities from Exchange Transactions		7 506 318	6 667 005
Long-term Liabilities	15	7 506 318	6 667 005
Non-current liabilities		34 276 280	34 706 207
Employee benefits	11	34 276 280	34 706 207
Total Liabilities		186 710 683	187 238 219
NET ASSETS		1 693 624 365	1 603 394 646
COMMUNITY WEALTH			
Accumulated Surplus	18	1 603 394 646	1 603 394 646

JOE QOABI DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE AT 30 JUNE 2018

	Note	2018 R	2017 - Revisited R	2017 - Correction R	2017 - Audited R
REVENUE					
Revenue from non-exchange transactions		544 707 169	572 194 488	(2 541 037)	569 653 451
Transfer revenue		587 343 508	665 655 755	(2 541 587)	663 114 168
Construction grants and subsidies - Capital	17	130 525 780	250 802 995	(2 506 825)	248 297 169
Construction grants and subsidies - operational	17	604 503 400	234 834 829	-	234 834 829
Public contributions and donations	68	-	38 743	(38 743)	-
Transfer of function		-	-	-	-
Other revenue		7 305 817	4 594 105	-	4 594 105
Foreign exchange gains		-	-	-	-
Accounted gains	19	7 305 817	4 594 105	-	4 594 105
Recovery adjustments	7	-	44 045	-	44 045
Reversal of impairments	39	-	-	-	-
Revenue from exchange transactions		120 058 059	109 156 035	(12 207)	109 143 732
Grants obtained	23	27 137 450	92 573 015	-	92 573 015
Grants received	22	5 053 284	30 375 096	-	30 375 096
Interest earned - external investments	25	4 409 844	3 300 457	-	3 300 457
Interest earned - outstanding debtors	24	22 124 400	24 092 370	-	24 092 370
Other income	21	1 734 030	385 283	(12 207)	373 076
Total Revenue		655 077 276	762 354 427	(2 553 794)	699 300 633
EXPENDITURE					
Employee related costs	26	216 133 488	288 858 938	-	288 858 938
Remuneration of Councilors	27	5 983 332	5 781 513	-	5 781 513
Debt expenditure	28	33 993 050	37 416 467	-	37 416 467
Impairments	29	-	-	-	-
Transfer exchange loss		-	-	-	-
Construction and Amortisation	30	49 138 588	48 191 428	234 125	48 425 553
Repairs and maintenance	31	4 975 583	12 817 115	41 530	12 858 645
Private charges	32	5 645 488	5 858 138	-	5 858 138
Overseas travel	33	14 872 932	14 414 985	-	14 414 985
Bulk purchases	34	4 468 788	5 524 992	-	5 524 992
Grant and subsidies paid	35	5 495 130	7 819 244	(208 780)	7 610 464
Provisionary adjustments	2	70 755	-	-	-
Operating grant, intermediate	36	174 930 262	94 014 779	(22 888 357)	71 126 422
Emergency drought relief	37	1 094 834	322 934	-	322 934
General Expenditure	38	18 048 000	64 884 590	223 350	65 107 940
Sales on disposal of Property, plant and equipment	39	1 482 283	575 578	-	575 578
Total Expenditure		565 467 535	502 374 278	(22 476 587)	479 897 691
SURPLUS/(DEFICIT) FOR THE YEAR		89 609 741	260 180 149	29 827 197	219 402 942

JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

	2018 R
	Accumulated Surplus
Balance at 1 July 2016	1 450 512 930
Correction of prior restatement - note	(47 301 456)
Restated balance at 1 July 2016	1 403 211 474
Net Surplus/(Deficit) for the year	200 383 149
Balance at 30 June 2017	1 603 594 623
Net Surplus/(Deficit) for the year	20 229 743
Balance at 30 June 2018	1 623 824 366

JOE GQABI DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 R	2017 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts		578 624 910	628 060 089
Service charges and other		35 765 297	54 404 623
Government grants		342 859 613	573 135 406
Payments		(458 621 394)	(397 155 086)
Suppliers		(236 214 946)	(202 294 084)
Employees		(222 407 148)	(194 901 002)
Cash generated from/ utilised in operations		119 003 516	230 905 002
Interest received		26 745 144	3 406 457
Interest paid		(1 113 831)	(6 916 126)
Net cash from operating activities	41	144 734 830	228 257 533
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Capital Assets		(125 091 318)	(230 856 982)
(Increase)/decrease of other assets			
Net cash from investing activities		(125 091 318)	(230 856 982)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in consumer deposits		23 311	44 281
Proceeds/(repayment) of finance lease liability		(2 305 135)	(1 272 593)
Proceeds/(repayment) of other long-term liabilities		(1 419 526)	(2 081 565)
Total Expenditure		(3 501 150)	(3 309 878)
Net increase/(decrease) in cash and cash equivalents		16 142 362	(5 909 327)
Cash and cash equivalents at the beginning of the year		3 487 782	9 421 545
Cash and cash equivalents at the end of the year	3	12 634 580	3 487 782

JOE GQABI DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	Explanations for material variances (20% of line-item)
ASSETS				
Current assets				
Cash	12 554 280	2 579 460	10 975 120	392%
Off-investment deposits	-	529 590	(529 590)	-100%
Consumer debtors	147 575 345	105 590 575	41 985 370	50%
Other Receivables	30 157 075	31 475 063	(1 157 988)	-4%
Inventory	1 640 898	3 177 840	(1 537 142)	-17%
Total current assets	192 308 699	143 652 528	48 155 771	
Non current assets				
Investments	3 571 508	3 505 021	265 427	8%
Investment property	2 438 548	2 532 755	(94 207)	-4%
Property, plant and equipment	1 651 053 170	1 664 880 374	13 827 204	1%
Intangible Assets	452 822	234 014	218 808	94%
Total non current assets	1 687 526 349	1 670 913 324	16 613 025	
TOTAL ASSETS	1 880 335 048	1 814 566 252	65 768 795	
LIABILITIES				
Current liabilities				
Borrowing	1 554 875	2 694 042	(1 099 367)	-41%
Consumer deposits	557 847	900 195	342 348	6%
Trade and other payables	111 526 757	31 640 755	79 886 001	452%
Provisions and Employee Benefits	30 855 506	21 909 355	8 946 151	35%
Total current liabilities	144 928 084	58 124 308	86 803 776	
Non current liabilities				
Borrowing	7 505 918	11 552 391	(4 046 473)	-35%
Provisions and Employee Benefits	34 275 280	50 246 114	(15 970 834)	-42%
Total non current liabilities	41 782 598	70 798 505	(29 015 907)	
TOTAL LIABILITIES	186 710 683	129 922 813	57 787 870	
NET ASSETS	1 693 624 365	1 685 643 439	7 980 926	
COMMUNITY WEALTH				
Accumulated Surpluses	1 605 624 365	1 685 643 439	7 980 926	0%
TOTAL COMMUNITY WEALTH/EQUITY	1 693 624 365	1 685 643 439	7 980 926	

JOE GQABI DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

ADJUSTMENTS TO APPROVED BUDGET

	2018 R (Approved Budget)	2018 R Actuals	2018 R (Final Budget)	
Explanations for material variances (10% of total items which is in excess of R140)				
ASSETS				
Current assets				
Cash	1 570 460	-	1 570 460	0%
Cell phone/Internet charges	620 580	-	620 580	0%
Prepayments	905 940 875	-	905 940 875	0%
Office equipment	11 375 000	-	11 375 000	0%
Inventory	1 370 000	-	1 370 000	0%
Total current assets	2 443 350 815	-	2 443 350 815	
Non-current assets				
Investments	2 300 000	-	2 300 000	0%
Intangible assets	1 500 000	-	1 500 000	0%
Property, plant and equipment	1 500 000 000	-	1 500 000 000	0%
Intangible assets	324 000	-	324 000	0%
Total non-current assets	1 570 000 000	-	1 570 000 000	
TOTAL ASSETS	4 013 350 815	-	4 013 350 815	
LIABILITIES				
Current liabilities				
Borrowings	1 500 000	-	1 500 000	0%
Provision for employees	500 000	-	500 000	0%
Trade and other payables	31 500 000	-	31 500 000	0%
Provisions	21 000 000	-	21 000 000	0%
Total current liabilities	34 500 000	-	34 500 000	
Non-current liabilities				
Borrowings	11 000 000	-	11 000 000	0%
Provisions and employee benefits	90 000 000	-	90 000 000	0%
Total non-current liabilities	101 000 000	-	101 000 000	
TOTAL LIABILITIES	135 500 000	-	135 500 000	
NET ASSETS	3 877 850 815	-	3 877 850 815	
COMMUNITY WEALTH				
Accumulated surplus	1 500 000 000	-	1 500 000 000	0%
Reserves	-	-	-	0%
TOTAL COMMUNITY WEALTH/EQUITY	1 500 000 000	-	1 500 000 000	

JOE GQABI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	
REVENUE BY SOURCE				Explanations for material variances (10% of the total with a maximum of 8 lines)
Service charges	77 137 859	100 421 057	(23 283 198)	19% Increased efficiency of electricity metering and reading
Rebate of electricity and water supply		9 000	9 000	100% New electricity rebate contracts signed
Interest earned - government investments	4 520 844	4 000 000	520 844	13% Improved budgeting process and management of interest fund
Interest earned - outstanding debtors	22 121 475	20 520 000	1 601 475	8% Improvement in Customer Debtors
Agency services		792 000	(792 000)	100% Reconciliation of New stations budget
Transfer and supplies - Operating	401 597 200	385 594 000	16 003 200	5% Increased PRU activities due to increased number of projects
Other revenues	16 245 005	600 500	15 644 505	2760% Gain on Financial Adjustment of Investment Property
TOTAL OPERATING REVENUE	522 751 230	595 332 554	(72 573 324)	
EXPENDITURE BY TYPE				
Employee salaries and costs	738 105 688	77 559 493	660 546 195	105% Increase owing to retirement fund contribution cost
Administration of electricity	5 091 002	17 509 752	(12 418 750)	150% Increased efficiency of metering by use of budget process
Other expenditure	72 594 000	4 500 000	68 094 000	280% Increase in Government Debtors
Depreciation & asset replacement	29 140 000	19 000 000	10 140 000	100% Effect of capital budget not fully used
Finance charges	5 045 600	2 749 000	2 296 600	100% Confirmation of interest reports
Other purchases	2 458 788	39 198 424	(36 739 636)	87% Management of the monthly billing from water utility
Contracted services	10 912 000	24 064 000	(13 152 000)	50% Contribution between contracted services and other expenditure
Other expenditure	44 000 000	38 000 000	6 000 000	100% Contribution between contracted services and other expenditure
TOTAL OPERATING EXPENDITURE	865 287 515	209 598 776	655 688 739	1700%
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	(342 536 285)	385 733 978	(728 270 263)	
Interest and supplies - 11 April	145 637 740	80 700 000	64 937 740	150%
NET SURPLUS FOR THE YEAR	113 091 455	466 433 978	(353 342 523)	

JOE GQABI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

ADJUSTMENTS TO APPROVED BUDGET

	2018 R (Approved Budget)	2018 R (Adjustments)	2018 R (Final Budget)	
REVENUE BY SOURCE				Explanations for material variances (10% off-line item)
Current charges	182 421 857	0	182 421 857	0%
Rents, or royalties and investments	0 000	0	0 000	0%
Interest earned - cashable investments	4 036 000	0	4 036 000	0%
Interest earned - overdrafting dividend	20 654 000	0	20 654 000	0%
Agency services	95 2 000	0	95 2 000	0%
Provisional salaries and salaries	180 000 000	15 447 839	195 447 839	8%
Other revenue	502 574	0	502 574	0%
TOTAL OPERATING REVENUE	501 280 573	(15 447 839)	505 532 834	
EXPENDITURE BY TYPE				
Salaries and related costs	154 403 000	(15 000 000)	139 403 000	-10%
Remuneration of officials	5 775 000	0	5 775 000	0%
Other remuneration	15 000 000	(15 000 000)	0 000 000	-100%
Other remuneration	46 871 000	500 000	47 371 000	1%
Provisional salaries	1 000 000	1 000 000	2 000 000	200%
Other remuneration	9 000 000	800 000	9 800 000	9%
Provisional salaries	1 000 000	1 000 000	2 000 000	200%
Other remuneration	1 000 000	1 000 000	2 000 000	200%
Other remuneration	1 000 000	1 000 000	2 000 000	200%
TOTAL OPERATING EXPENDITURE	591 569 000	3 332 400	594 901 400	
OPERATING DEFICIT FOR THE YEAR	9 288 427	(15 447 839)	24 736 266	
Government Grants and Subsidies - Capital	212 217 100	0	212 217 100	0%
NET SURPLUS FOR THE YEAR	222 928 730	(15 447 839)	207 480 891	

JOE GQABI DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2018 R (Actual)	2018 R (Final Budget)	2018 R (Variance)	Explanations for material variances (10% of line-item)
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Service charges and other	75 765 267	82 467 192	(6 701 924)	-8% More cash received than anticipated
Government - voting	5 420 850 213	555 859 400	4 864 990 813	89% Increased PRAs activities due to increased number of projects
Interest	26 745 244	4 040 000	22 705 244	563% Improved budgetary control and investment of excess fund
Payments				
Salaries and employees	(459 521 994)	(457 094 064)	(2 427 930)	0% Less appointments for vacant posts, improve efficiency of electricity installation and metering
Finance charges	(1 112 331)	(5 485 000)	7 362 669	-67% Non due items not included
Transfers and Grants	-	-	-	0%
NET CASH FROM OPERATING ACTIVITIES	144 734 330	14 317 528	130 417 301	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	-	-	-	-
Payments				
Capital assets	(125 091 318)	(216 486 616)	93 395 298	-44% Under expenditure of Capital Budget
NET CASH USED IN INVESTING ACTIVITIES	(125 091 318)	(216 486 616)	93 395 298	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Increase in consumer deposits	23 311	-	23 311	0% Increase in Consumers
Payments				
Repayments of borrowings	(3 524 482)	(4 026 062)	501 680	-12% Effect of fluctuations in interest rate
NET CASH USED IN FINANCING ACTIVITIES	(3 501 150)	(4 026 062)	524 913	
NET INCREASE/(DECREASE) IN CASH HELD	16 142 362	(208 197 170)	224 339 532	
Cash and Cash Equivalents at the beginning of the year	(3 467 772)	(3 467 772)	-	0%
Cash and Cash Equivalents at the end of the year	12 654 590	(209 623)	9 445 557	-21% Result of increased income, improved control and cost under expenditure

JOE GQABI DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018

ADJUSTMENTS TO APPROVED BUDGET

CASH FLOW STATEMENT FOR THE YEAR 2018					
	2018 R	2018 R	2018 R		
	(Approved Budget)	(Adjustments)	(Final Budget)	Explanations for material variances (10% of line-item with a minimum of R1m)	
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Grants/Donations	54 940 757	(1 889 575)	53 051 182	0%	Revised estimate
Contributions from other entities	802 330 439	(113 303 810)	689 026 629	-14%	Adjustment on overstatement
Interest	4 942 000	-	4 942 000	0%	No adjustments
Payments					
Salaries and emoluments	(457 004 064)	-	(457 004 064)	0%	No adjustments
Finance charges	(5 952 000)	-	(5 952 000)	0%	No adjustments
NET CASH FROM OPERATING ACTIVITIES	229 211 109	(214 893 575)	14 317 528		
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts					
Proceeds on disposal of PPE	-	-	-	0%	
Payments					
Capital projects	(218 488 636)	-	(218 488 636)	0%	No adjustments
NET CASH USED IN INVESTING ACTIVITIES	(218 488 636)	-	(218 488 636)		
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts					
Interest on commercial bank loans	-	-	-	0%	
Payments					
Repayment of borrowing	(4 026 062)	-	(4 026 062)	0%	No adjustments
NET CASH USED IN FINANCING ACTIVITIES	(4 026 062)	-	(4 026 062)		
NET DECREASE IN CASH HELD	6 696 405	(214 893 575)	(208 197 170)		
Cash and Cash Equivalents at the beginning of the year	12 487 762	-	12 487 762	0%	No adjustments
Cash and Cash Equivalents at the end of the year	19 184 167	-	19 184 167	0%	No adjustments

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1 BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised - April 2017) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant Accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below:

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

1.2 PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

1.3 GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7 PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2016 to 30 June 2017. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts,
- actual amounts and final budget amounts.

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 20	Related Party Disclosure	1 April 2019
	The objective of this standard is to establish principles for reporting financial information by segments. This Standard will be implemented as part of the Municipal Standard Chart of Accounts Regulation 2018 2019. Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP 32	Service Concession Arrangements: Grantor	1 April 2019
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP 34	Separate Financial Statements	To be determined by Minister
	Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 20	Related Party Disclosure	1 April 2019
	The objective of this standard is to establish principles for reporting financial information by segments. This Standard will be implemented as part of the Municipal Standard Chart of Accounts Regulation (Municipal Standard Chart of Accounts Regulation). Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	
GRAP 32	Service Concession Arrangements: Grantor Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	1 April 2019
GRAP 34	Separate Financial Statements Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	To be determined by Minister

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

GRAP 35	Consolidated Financial Statements Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	To be determined by Minister
GRAP 36	Investments in Associates and Joint Ventures Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	To be determined by Minister
GRAP 37	Joint Arrangements Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	To be determined by Minister
GRAP 38	Disclosure of Interests in other Entities Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	To be determined by Minister
GRAP 108	Statutory Receivables Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	1 April 2019
GRAP109	Accounting by Principals and Agents Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	1 April 2019
GRAP 110	Living and Non-Living Resources Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	1 April 2019
GRAP 17	Service Concession Arrangements where a grantor controls a significant residual interest in an asset Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.	1 April 2019

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.9. LEASES

1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition.

1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

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Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or
- Interest earned on the investment is treated in accordance with grant

1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

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1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of
 - the expenditures that will be undertaken, and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

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1.13. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.13.1 Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.13.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13.3 Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

1.13.4 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee. Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

1.13.5 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.13.6 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees and middle management, is recognised as it accrues to Section 57 employees and middle managers. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

1.13.7 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.13.8 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid, if the
- as an expense, unless another Standard requires or permits the inclusion of the

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.14 PROPERTY, PLANT AND EQUIPMENT

1.14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

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1.14.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

1.14.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years
<u>Infrastructure</u>	
Water	7 – 118
Sewerage	8 – 101
<u>Land and Buildings</u>	
Buildings	20 – 30
<u>Other</u>	
Special Vehicles	10 – 16
Motor vehicles	5 – 17
Office Equipment	7 – 15
Furniture and Fittings	7 – 16
Tool and Equipment	5 – 15
Computer Equipment	3 – 17
Fire Engines	5 – 12

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.14.4 De-recognition

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Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15 INTANGIBLE ASSETS

1.15.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or
- the Municipality can measure reliably the expenditure attributable to the

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.15.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

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1.15.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

Intangible Assets	<u>Years</u>
Computer	3 - 10
Software	

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1.15.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. INVESTMENT PROPERTY

1.16.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- * it is probable that the future economic benefits or service potential that are
- * the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of **operations**. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.16.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	20 - 30

1.16.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.17.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

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(a) External sources of information

* During the period, an asset's market value has declined significantly more than

would be expected as a result of the passage of time or normal use.

* Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.

* Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

* Evidence is available of obsolescence or physical damage of an asset.

* Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

* Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.17.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

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(a) External sources of information

- * Cessation, or near cessation, of the demand or need for services provided by the asset.
- * Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- * Evidence is available of physical damage of an asset.
- * Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- * A decision to halt the construction of the asset before it is complete or in a usable condition.
- * Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- * depreciation replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

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* restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

* service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

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1.18. INVENTORIES

1.18.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.18.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

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1.10. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilisation of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.10.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

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1.19.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.19.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.19.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.19.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

1.19.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.19.3 De-recognition of Financial Instruments

1.19.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired? or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement? and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.19.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.19.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.20 REVENUE

1.20.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.20.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- * The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- * The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- * The amount of revenue can be measured reliably.
- * It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- * The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

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Service charges relating to water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the

- The prevailing rate for a similar instrument of an issuer with a similar credit rating,
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.21 TRANSFER OF FUNCTION (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the **applicable** Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.22. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party;
- or exercise significant influence over the other party, or vice versa;
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality;
- has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality;
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
- both entities are joint ventures of the same third party;
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality, if the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
- the entity is controlled or jointly controlled by a person identified in (a);
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

Management (formerly known as "Key Management") includes all persons having the authority and

responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.23. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24. IRREGULAR EXPENDITURE

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.27. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

1.27.1 Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 12 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

1.27.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.27.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

1.27.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.27.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

1.27.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

1.27.7 Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, has transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1.27.8 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

1.27.9 Componentisation of infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.28. SOUTH AFRICAN REVENUE SERVICES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.29. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.30. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- * those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- * those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

1.31. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
2 INVENTORY		
Fuel and oil - at cost	653 066	465 626
Stationery and materials - at cost	538 805	804 267
Spares parts - at cost	1 021 897	1 206 101
Water stock - net realisable value	426 990	424 072
Total Inventory	2 640 698	2 900 066
Consumable stores materials (gains)/losses identified during stock counts	-	-
Inventory recognised as an expense during the year	753 294	1 305 537
No inventory was pledged as security.		
Inventory Adjustments made for the year (surplus)/loss	70 785	(44 146)
Fuel were purchased on a needs basis as from March 2017 resulting in the decrease on the inventory recognised as an expense during the year.		
Council took a decision to replace the conventional water meters with pre paid water meters. Below are the detail of the meters procured and		
Number of pre paid meters procured for the period:	3900	2000
Number of pre paid meters in stores at year end:	3906	1811
3 CASH AND CASH EQUIVALENTS		
Primary Bank Account	651 107	(5 672 687)
Call and short-term investments deposits	11 067 873	2 155 106
Cash floats	300	300
Petty cash	35 300	29 500
Total	12 654 580	(3 487 782)
Due to the short term nature of cash deposits, all balances included above are in line with their fair value.		
Cash and Cash Equivalents are disclosed as follow:		
Current assets	12 654 580	2 184 906
Current liability	-	(5 672 687)
	12 654 580	(3 487 782)
Primary Bank Account:		
ABSA Bank - Barkly East Branch - ZS 900 000 10		
Bank statement balance - Opening balance	1 158 163	4 341 382
Bank statement balance - Closing balance	651 107	1 158 163
Cashbook balance - Opening balance	(5 672 687)	(2 613 344)
Cashbook balance - Closing balance	651 107	(5 672 687)

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Call Deposits		
ABSA - Acc no 9084189345	2 007 333	480 902
ABSA - Acc no 8385426744	919 752	500 567
ABSA - Acc no 9072226150	98 380	36 077
ABSA - Acc no 9132637071	260 199	612 504
ABSA - Acc no 9278329895	235 287	240 608
ABSA - Acc no 9278636849	2 063 061	485 019
Total	51 067 875	2 335 106

RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents as per the disclosure above	12 654 380	(3 487 162)
Less:		
Unspent Committed Conditional Grants - note 6	2 776 798	4 926 438
Net cash resources available for internal distribution	9 877 582	8 416 210
The unspent committed conditional grants are subject to approval by National Treasury. The values disclosed are excluding the Unspent grants (Monies due to the District) to the value of	14 295 862	32 563 551

The municipality experienced cashflow challenges towards the end of the financial year due to the high outstanding unpaid grants. An amount of R15 528 055 is due to the municipality (2017: R22 963 551) as at year end (disclosed in note 6 and was received subsequent to year end).

4 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Water	230 927 747	162 766 256
Sanitization	95 982 814	74 924 658
Local Municipalities	17 056 184	17 056 184
Water Shudu total Municipality	343 966 745	254 747 100
Other Receivables	7 097 766	5 381 084
Working for Wetlands	2 050 210	-
Deposits	144 961	144 961
Other Debtors	2 061 603	1 475 299
Staff Debtors	598 561	621 431
Pensioners	2 531 425	2 062 842
Expenses paid in advance	-	1 033 537
	341 089 711	382 000 072
Less: Allowance for Doubtful Debt	(156 967 975)	(142 789 067)
Total Net Receivables from Exchange Transactions	184 021 736	239 211 005

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate +2% is charged on overdue accounts.

Water Shudu Local Municipality (Previously known as Gertop Local Municipality and Matsiwa Local Municipality) owe the Municipality for revenue received for water and sanitation as per the billing agreement. The amount disclosed is not the same as in the records of Water Shudu Local Municipality. The transactions processed by the said entity is under dispute and is therefore also resulting in no movement in the balance.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Reconciliation of the Total Doubtful Debt Provision		
Balance at beginning of the year	142 799 608	208 947 722
Contributions to provision	86 200 785	44 518 410
Doubtful debts written off against provision	7 987 605	(111 064 524)
Balance at end of year	186 987 078	142 799 608
Water	116 573 645	84 823 306
Sewerage	52 956 771	40 521 739
Local Municipalities	15 409 620	15 409 620
Other Receivables	2 044 942	2 044 942

The allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large consumer base over which the outstanding receivable balance is spread. Pre-paid meters are also being installed throughout the district, which management believe will decrease non-payment risk and also ensure collection of arrear amounts.

Municipality

	Gross Balance	Allowance for impairment	Net Receivable
2018			
Water	220 927 747	(116 573 645)	104 354 102
Sewerage	95 982 014	(52 956 771)	43 025 243
Local Municipalities	17 056 184	(15 409 620)	1 646 564
Other Receivables	7 097 766	(2 044 942)	5 052 824
Total	341 063 711	(186 987 078)	154 076 633

	Gross Balance	Allowance for impairment	Net Receivable
2017			
Water	162 768 256	(84 823 306)	77 944 950
Sewerage	74 924 568	(40 521 739)	34 402 829
Local Municipalities	17 056 184	(15 409 620)	1 646 564
Other Receivables	3 349 664	(2 044 942)	1 304 722
Total	260 098 672	(142 799 607)	117 299 065

Ageing of Receivables from Exchange Transactions

Water

Current (0 - 30 days)	8 536 177	8 961 299
Past Due (31 - 60 Days)	7 985 855	7 780 832
Past Due (61 - 90 Days)	7 802 080	7 575 219
Past Due (90 Days +)	106 603 831	138 450 912
Total	220 927 747	162 768 256

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<u>Sewerage:</u>		
Current (0 - 30 days)	4 461 295	3 819 691
Past Due (31 - 60 Days)	2 436 643	3 297 112
Past Due (61 - 90 Days)	2 024 908	3 109 303
Past Due (90 Days +)	84 745 168	64 678 463
Total	95 982 014	74 924 569
<u>Other Receivables: Aging</u>		
Current (0 - 30 days)	-	-
Past Due (31 - 60 Days)	-	-
Past Due (61 - 90 Days)	-	-
Past Due (90 Days +)	24 153 350	22 098 920
Total	24 153 350	22 098 920
5 SOUTH AFRICAN REVENUE SERVICES		
VAT Receivable	25 760 700	41 343 627
VAT Payable	(33 495 413)	(21 133 837)
Less: VAT on Provision for Debt Impairment	16 776 062	12 584 579
Total South African Revenue Services	9 041 349	32 794 369
Balance previously reported 30 June 2017		32 126 817
Correction of VAT implication on duplication of order as per note 14		136 356
Restated balance as at 30 June 2017		32 263 173
VAT is accounted for on the cash basis.		
No interest is payable to SARS if the VAT is paid over retroactively, but interest for late payments is charged according to SARS policies.		
<u>Disclosed as follow:</u>		
Current Liabilities from Exchange Transactions	-	-
Current Assets from Exchange Transactions	9 041 349	32 686 430
<u>Reconciliation of VAT on Provision for Debt Impairment</u>		
Opening balance	12 584 579	10 332 287
VAT on Provision for bad debts - Note 28	4 191 083	(6 747 708)
Closing balance	16 776 662	12 584 579
6 UNSPENT/UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
National Government Grants	874 277	2 433 476
Provincial Government Grants	1 410 303	2 289 808
Other Grant Providers	292 380	75 145
Unspent Grants	2 776 960	4 928 429
National Government Grants	12 267 000	15 293 037
Provincial Government Grants	2 127 053	6 930 514
Other Grant Providers	-	-
Less: Unpaid Grants	14 395 662	22 163 551
Total Conditional Grants and Receipts due to Municipality	11 818 351	17 335 122

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Balance previously reported 30 June 2017		14 730 102
Correction of understatement of grant income recognised on MMS 2016/2017		<u>2 534 970</u>
Restated balance as at 30 June 2017		<u><u>17 265 072</u></u>

JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

1. ACCOUNTING POLICIES

1.1. GENERAL

1.1.1. Measurement of financial performance

Description of assets and liabilities	2017			2016			2015		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity	Assets	Liabilities	Equity
Current assets	1 710 000			1 710 000			1 710 000		
Current liabilities		1 710 000			1 710 000			1 710 000	
Non-current assets	1 710 000			1 710 000			1 710 000		
Non-current liabilities									
Total assets	3 420 000			3 420 000			3 420 000		
Total liabilities		1 710 000			1 710 000			1 710 000	
Total equity			1 710 000			1 710 000			1 710 000

1.1.2. Measurement of financial performance

Description of assets and liabilities	2017			2016			2015		
	Assets	Liabilities	Equity	Assets	Liabilities	Equity	Assets	Liabilities	Equity
Current assets	1 710 000			1 710 000			1 710 000		
Current liabilities		1 710 000			1 710 000			1 710 000	
Non-current assets	1 710 000			1 710 000			1 710 000		
Non-current liabilities									
Total assets	3 420 000			3 420 000			3 420 000		
Total liabilities		1 710 000			1 710 000			1 710 000	
Total equity			1 710 000			1 710 000			1 710 000

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JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

ISDA Project for 2017/18 - WIP

Project Name	APPROVED 2017	Status to 30/06/2018 RATED 2018/19	Completion 2018	Phase 18	APPROVED 2017	Status to 30/06/2018 RATED 2018/19	2017/18				Project Status	Project Status	Notes
							Est	Spent	Unspent	Other			
1. Water supply infrastructure upgrade	150 000 000				150 000 000		150 000 000	150 000 000	0	0	Completed	Completed	Water supply infrastructure upgrade project completed.
2. Sewerage infrastructure upgrade	100 000 000				100 000 000		100 000 000	100 000 000	0	0	Completed	Completed	Sewerage infrastructure upgrade project completed.
3. Stormwater infrastructure upgrade	50 000 000				50 000 000		50 000 000	50 000 000	0	0	Completed	Completed	Stormwater infrastructure upgrade project completed.
4. Road infrastructure upgrade	200 000 000				200 000 000		200 000 000	200 000 000	0	0	Completed	Completed	Road infrastructure upgrade project completed.
5. Electricity infrastructure upgrade	100 000 000				100 000 000		100 000 000	100 000 000	0	0	Completed	Completed	Electricity infrastructure upgrade project completed.
6. Health infrastructure upgrade	50 000 000				50 000 000		50 000 000	50 000 000	0	0	Completed	Completed	Health infrastructure upgrade project completed.
7. Education infrastructure upgrade	100 000 000				100 000 000		100 000 000	100 000 000	0	0	Completed	Completed	Education infrastructure upgrade project completed.
8. Social infrastructure upgrade	50 000 000				50 000 000		50 000 000	50 000 000	0	0	Completed	Completed	Social infrastructure upgrade project completed.
9. Environmental infrastructure upgrade	50 000 000				50 000 000		50 000 000	50 000 000	0	0	Completed	Completed	Environmental infrastructure upgrade project completed.
10. Other infrastructure upgrade	50 000 000				50 000 000		50 000 000	50 000 000	0	0	Completed	Completed	Other infrastructure upgrade project completed.
Total	750 000 000				750 000 000		750 000 000	750 000 000	0	0	Completed	Completed	

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
8 INVESTMENT PROPERTY		
Net Carrying amount at 1 July	2 484 344	2 529 859
Cost	2 883 357	2 883 357
Accumulated Depreciation	(399 013)	(353 517)
Additions		
Depreciation for the year	(45 486)	(45 486)
Net Carrying amount at 30 June	2 438 858	2 484 344
Cost	2 883 357	2 883 357
Accumulated Depreciation	(444 509)	(399 013)
Balance previously reported 30 June 2017		2 277 174
Correction of overstatement of the depreciation on investment property during the 2016/2017 financial year.		211 085
Restated balance as at 30 June 2017		2 488 259

Revenue derived from the rental of investment property.

No operating expenditure was incurred on investment property during the 2016/2017 and 2017/2018 financial years.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop the investment property or for repairs, maintenance or enhancements.

9 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July	991 023	1 349 123
Cost	4 395 577	4 395 577
Accumulated Amortisation	(3 404 554)	(3 046 454)
Additions and transfers from work in progress		
Amortisation	(448 291)	(448 290)
Net Carrying amount at 30 June	452 512	991 023
Cost	4 395 577	4 395 577
Accumulated Amortisation	(3 942 754)	(3 404 554)

No intangible assets were assessed as having an indefinite useful life. There are no internally generated intangible assets at the reporting date. There are no intangible assets whose title is restricted and no intangible assets are pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
10 NON-CURRENT INVESTMENTS		
Financial Instruments		
Fixed Deposits	1 577 453	1 583 453
Unlisted		
Municipal Entity – Joe Gqabi Economic Development Agency (Soc.)	1 894 055	1 894 055
Goodwill	6 696 141	6 696 141
Provision for Impairment	(4 992 086)	(4 992 086)
Total Non-Current Investments	3 571 506	3 477 508

The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc.) Ltd (JogEDA). The purpose of the entity is to promote economic development in the district.

Prior to 1 July 2012, JogEDA was still in its establishment phase. All contributions made by the Municipality during the establishment phase was capitalised as part of the investment. In the 2012/13 year, JogEDA has become operational as a for-profit business, contributions made by the Municipality are no longer capitalised. These contributions are treated as loans and subsidies paid.

The provision for impairment is based on the difference between the amount invested and the net asset value of JogEDA at a time when the Agency had either income than only being funded by the Municipality. The value was not revealed in the last three financial years due to the municipality being the sole funder. The provision for impairment is calculated on an annual basis. Net asset value of JogEDA as disclosed in their annual financial statements is R3 242 938 (2017 : R3 333 841).

Fixed Deposits are investments with a maturity period of more than 12 months and an average interest rate of 8.13% per annum (2017 : 5.13%). Interest rates are considered to be market related. The carrying amount of these fixed deposits approximates their fair value.

Investments are made in terms of the Municipality's Cash Management and Investment Policy, as required by Regulation R 306 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

Fixed deposit consist of the following accounts:

ABSA	Acc no 96009 - Building - DBSA Loan	1 577 453	1 583 453
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The fixed deposit serve as collateral security for the DBSA Building loan as per note 15

JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
11 EMPLOYEE BENEFITS		
Post Retirement Medical Obligations - refer to note 11.1	27 800 277	25 375 151
Ex Gratia Provisions - refer to note 11.2	122 678	187 418
Long Service Awards - refer to note 11.3	5 274 025	4 680 686
Total Non-current Employee Benefit liabilities	33 276 290	34 736 207
Post Retirement Medical Obligations		
Balance 1 July	25 246 949	22 186 030
Contributions for the year	6 564 293	4 680 291
Reversals for the year	(1 051 086)	(2 576 092)
Reversals (Gain)	(1 359 589)	(5 455 298)
Total post retirement medical obligations 30 June	29 401 000	31 233 379
LESS: Transfer of current portion to Current Employee Benefits - note 12	(1 520 723)	(1 555 071)
Balance 30 June	27 880 277	29 678 308
Ex Gratia Provisions		
Balance 1 July	275 612	458 514
Contributions for the year	80 788	85 988
Reversals for the year	(27 998)	(185 434)
Reversals (Gain)	(63 750)	0 000
Total ex gratia provision 30 June	334 654	375 068
LESS: Transfer of current portion to Current Employee Benefits - note 12	(111 976)	(188 250)
Balance 30 June	122 678	187 418

JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Long Service Awards		
Balance 1 July	5 509 979	6 729 999
Contributions for the year	2 409 336	1 678 188
Expenditure for the year	(291 994)	(252 857)
Accruals (benefits)	(162 923)	(69 189)
Total long service 30 June	7 481 008	8 086 241
Less: Transfers of amounts granted to Current Employees Benefits - note 12	(1 207 883)	(829 394)
Balance 30 June	6 273 125	7 256 847
TOTAL EMPLOYEE BENEFITS		
Balance 1 July	37 219 809	37 285 214
Contributions for the year	8 211 845	7 738 423
Expenditure for the year	(1 511 241)	(1 048 071)
Accruals (benefits)	(7 308 811)	(6 664 357)
Total employee benefits 30 June	37 219 662	37 119 049
Less: Transfers of amounts granted to Current Employees Benefits - note 12	(2 943 882)	(2 117 302)
Balance 30 June	34 275 780	35 001 747
	2018 Employees	2017 Employees
11.1 Post Retirement Medical Obligations		
The Post Retirement Medical Obligations is a defined benefit plan, of which the members transferred up to:		
Retirees (Employees/retirees)	125	168
Contributors/retirees (e.g. Retirees, widows, orphans)	57	51
Total Members	193	200

JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018	2017
	R	R
The municipality's major liability commitments for health care arrangements are the following assumed and estimated:		
<p>Provision</p> <p>Liabilities</p> <p>Provision</p> <p>Provision for health care</p>		
	%	%
Key assumed parameters used:		
5) Rate of interest		
Discount rate	9.50	9.70
Health Care Cost Inflation Rate	1.50	9.00
Net Effective Discount Rate	1.00	1.00
The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstraping".		
6) Mortality rates		
The 100% mortality rate is used for all ages.		
62) Normal retirement age		
The normal retirement age for members of the municipality is:		
Males: 65 years		
Females: 60 years		

JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	In-Service Members R	2018 Continuation Members R	2017 Present value of fund obligations R
The liability in respect of past service recognised in the Statement of Financial Position is as follows:			
30 June 2018	28 989 063	10 987 987	29 401 900
30 June 2017	28 270 202	10 482 687	29 885 151
30 June 2016	22 936 577	10 346 743	22 166 020
30 June 2015	20 888 662	3 631 392	26 712 043
30 June 2014	18 162 000	9 702 602	26 042 592
30 June 2013	21 855 000	6 092 474	23 852 475
30 June 2012	17 642 000	20 087 238	17 612 224
This Municipality has elected to recognise the full amounts in the defined benefits liability immediately as per GRAPE 20.			
Experience adjustments were calculated as follows:			
		Liabilities Gains / Loss R	Assets Gain / (Loss) R
30 June 2018		12 426 000	-
30 June 2017		12 344 480	-
30 June 2016		292 508	-
30 June 2015		8078 868	-
30 June 2014		2 428 637	-
30 June 2013		5 869 000	-
30 June 2012		812 470	-
Reconciliation of present value of fund obligation:			

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Present value of fund obligation at the beginning of the year	91 288 775	12 140 806
Total contribution	7 000 565	5 322 346
Current service cost	2 500 400	2 401 080
Interest cost	4 293 756	4 000 000
Benefit Paid	(11 091 266)	(11 091 496)
Actuarial (over)/under	(7 290 710)	(9 490 360)
Present value of fund obligation at the end of the year	26 497 365	11 279 576
<u>Less:</u> Transfer of current surplus to Current Unapportioned Surplus - note 4	(1 320 720)	(1 405 927)
Balance 30 June	<u>25 176 645</u>	<u>9 873 649</u>

Sensitivity Analysis on the Current service and interest costs

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Current assumptions		2 500 400	4 293 756	6 794 156	
Discount rate increases	+1%	2 129 400	4 796 400	6 925 800	39%
Discount rate decreases	-1%	2 877 200	3 812 600	6 689 800	-16%
Discount rate	+1%	2 794 200	2 927 200	5 721 400	-14%
Discount rate	-1%	3 006 600	4 294 800	7 301 400	17%
Long-term interest rate	+1.75%	2 084 600	4 294 800	6 379 400	-4%
Long-term interest rate	-2.00%	2 920 200	4 294 800	7 215 000	5%

JOE GQABI DISTRICT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018	2017
	R	R
	%	%
11.2 On Balance Granthams		
The On Balance Granthams plan is a defined benefit plan. As at year end 30 June 2018, 2017 were eligible for On Balance Granthams.		
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	4.6%	2.4%
The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".		
		Present value of fund obligations
The liability in respect of past service recognised in the Statement of Financial Position is as follows:		
30 June 2018		334 605
30 June 2017		275 653
30 June 2016		245 515
30 June 2015		205 545
30 June 2014		185 325
30 June 2013		175 515
30 June 2012		124 447
The Municipality has elected to recognise the full measure of the defined benefit liability immediately as per GRAP 25.		

JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R Liabilities (Rands) / Euro	2017 R Assets (Rands) / Euro
Experience adjustments were calculated as follows:		
30 June 2018	(48 598)	
30 June 2017	7 436	
30 June 2016	90 527	
30 June 2015	(22 267)	
30 June 2014	17 518	
30 June 2013	15 239	
30 June 2012	41 801	
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	275 802	439 519
Fund contributions	12 741	188 475
Current and past service costs	34 880	29 476
Interest Cost	28 672	36 267
Benefits Paid	(51 973)	(100 638)
Actuarial (Gains)/Loss	(34 158)	9 310
Present value of fund obligation at the end of the year	254 864	575 409
LESS: Transfer of responsibilities to General Employee Benefits - note 1	(212 713)	(288 336)
Present value of fund obligation at the end of the year	222 978	187 418
The liability is unfunded.		

JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

		2018 R	2017 R		
Sensitivity Analysis on the Comprehensive and Interest Costs					
Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Contractual Obligations		89 888	29 870	119 758	
Discount Rate	+1%	22 600	28 621	51 221	2%
Discount Rate	-1%	24 690	29 126	53 816	2%
Discount Rate	+2 years	28 391	29 201	57 592	20%

12.3 Long Service Awards

The Long Service Award plan has defined benefits plan. Long service awards were calculated for 611 employees (2017: 610), but have not yet been paid for the year.

Any potential contingencies are:

a) Rate of Interest			
Discount rate		0.35	0.37
Present value of Long Service Awards		1,046	9,499
Long Service Awards		2,222	2,096

The discount rate is a percentage of all government bonds and is calculated using a technique known as "bootstrapping".

JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R Present value of fund obligations R
The liability in respect of past service recognised in the Statement of Financial Position is as follows:		
30 June 2018		7 401 038
30 June 2017		5 165 590
30 June 2015		4 712 480
30 June 2016		4 030 351
30 June 2014		3 491 157
30 June 2013		3 025 085
30 June 2012		2 725 271
The liability was allocated to employees for full service as per defined benefit liability measurement as per IAS 19.		
	Liabilities (Gain) / Loss R	Assets Gain / (Loss) R
Experience adjustments were calculated as follows:		
30 June 2018	2 725 271	
30 June 2017	1 675 371	
30 June 2015	1 740 079	
30 June 2016	2 077 026	
30 June 2014	1 818 116	
30 June 2013	1 912 403	
30 June 2012	1 275 659	

JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Reconciliation of present value of bond obligations:		
Present value of fund obligations at the beginning of the year	1 398 000	1 713 400
Total contributions	(1 170 000)	(612 400)
Current interest cost (and interest cost)	1 049 200	708 000
Interest Paid	(877 400)	(279 100)
Amortisation of premium	(140 100)	(40 000)
Present value of fund obligations at the end of the year	1 449 700	1 590 900
Reconciliation of Current interest to Current Interest Expense (note 4)	12 207 600	(8 251 500)
Balance 30 June	15 279 300	1 580 400
This liability is unsecured		

Sensitivity Analysis on the Current interest and interest costs

Assumption	Change	Current Interest Cost (R)	Interest Cost (R)	Total (R)	% Change
Debt-to-Equity Ratio		100 000	100 000	1 200 000	
Cost of Sales %	-1%	(888 000)	(888 000)	(1 120 000)	-9%
Cost of Sales %	1%	888 000	888 000	1 120 000	9%
Debt-to-Equity Ratio	-1%	(770 000)	(770 000)	(1 040 000)	-8%
Debt-to-Equity Ratio	1%	770 000	770 000	1 040 000	8%
Average interest rate	-1 point	(1 000 000)	(1 000 000)	(1 200 000)	-10%
Average interest rate	+1 point	1 000 000	1 000 000	1 200 000	10%
Withholding Tax	-50%	(1 000 000)	(1 000 000)	(1 200 000)	-10%

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

2016
R

2017
R

11.4 Retirement Funds

The Cape Retirement Fund is a multi-employer plan. This means that there are a number of employers that participate in this fund. In terms of GRAP 19, a multi-employer plan is defined as defined benefit plans which do not state that when sufficient information is available to use defined benefits accounting for a multi-employer plan, a municipality will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed actuarial and pension information as well as information on the Municipality's share of the Retirement Fund's assets from the fund administrator. The fund administrator responded that assets of the Retirement Fund are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 19.

As part of the Municipality's process to state the defined benefit liability, the Municipality requested pension data from the fund administrator. The fund administrator advised that the pension data is confidential and were not willing to share any information with the Municipality. Without detailed pension data, the Municipality was unable to calculate a reliable estimate of the defined liability in respect of pension data apply for a defined benefit pension.

Therefore, although the Cape Retirement Fund is defined as a defined benefit plan, it will be accounted for as a defined contribution plan.

CAPE RETIREMENT FUND

This contribution rate consists of 10% by members and 20% by Council. The last actuarial valuation performed by the fund ended 30 June 2013 awarded director's fund with a general financial position with a funding level of 100.2% (30 June 2012: 100.79%).

JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

Contributions paid throughout the Department of General Management

2018	2017
R	R
541 908 526	5 589 809
CONTRIBUTIONS PAID	CONTRIBUTIONS PAID

DEFINED CONTRIBUTION FUNDS

Contributions paid to the Government Employees Pension Fund, National General Pension Fund, SASSA Retirement Fund, SASSA National Pension Fund and SASSA Pension Fund relate to defined contribution funds. The National General Pension Fund is subject to the Pension Fund Act, 1956, with assets being calculated on the actuarial value of the fund. Contributions by Council are charged against expenditures on the payment of pension funds.

Contributions paid throughout the Department of General Management

Government Employees Pension Fund	850 000	952 000
National General Pension Fund	440 113	881 021
SASSA Retirement Fund	1 685 817	616 000
SASSA National Pension Fund	2 710 967	2 782 877
SASSA Pension Fund	1 485 583	1 020 809
	7 222 694	5 929 523

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
12 CURRENT EMPLOYEE BENEFITS		
Staff Bonuses Accrued	5 730 246	5 104 624
Provision for Staff Leave	15 800 520	13 456 815
Provision for Performance Bonuses	5 814 809	3 571 716
Other Provisions	582 342	582 342
Current Portion of Non-Current Employee Benefits	2 940 582	2 413 403
Current Portion of Post Retirement Benefits - note 11	1 507 728	1 305 827
Current Portion of Deferred Gratuity - note 11	213 976	188 234
Current Portion of Long-Serve Awards - note 11	1 207 689	829 543
Total Current Employee Benefits	30 858 855	24 936 899
The movements in current employee benefits is reconciled as follows:		
Staff Bonuses Accrued		
Balance at beginning of year	5 020 657	4 427 358
Contribution to current portion	10 625 420	9 890 373
Expenditure incurred	(10 009 799)	(9 286 775)
Balance at end of year	5 636 278	5 030 957
Bonuses are being paid to all municipal staff, excluding Directors Technical Services and Community Services who have structured their packages differently. The balance at year end represents the portion of the bonus that have already vested for the current salary cycle. This bonus will be paid out in December 2018 or pro-rata when employment is terminated.		
Provision for Staff Leave		
Balance at beginning of year	13 464 815	11 450 111
Contribution to current portion	1 336 280	3 185 066
Expenditure incurred	(1 468 268)	(1 170 351)
Balance at end of year	15 332 827	13 464 815
Staff leave is accrued to employees adhering to a collective agreement. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realised as employees take leave or when employment is terminated.		
Provision for Performance Bonuses		
Balance at beginning of year	3 371 716	4 427 358
Contribution to current portion	5 057 940	3 692 097
Expenditure incurred	(2 614 849)	(2 687 743)
Balance at end of year	5 814 809	3 571 716
Performance bonuses are being provided for and only paid to the Municipal Manager, Directors and senior management after an evaluation of performance by the council. During the year under review, performance bonuses were paid for the		
Other Provisions		
Balance at beginning of year	582 342	522 889
Reversal charges		55 492
Balance at year end	582 342	582 342
Other provisions are non-recruiting provisions which consists out of the following at year end: - Shortfall in several earnings of Cape Joint Pension Fund		

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<p>It was reported that the established investment return of the fund for the 2018 financial year was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.</p>		
13 CONSUMER DEPOSITS		
Water	957 847	934 536
Total Consumer Deposits	957 847	934 536

The fair value of consumer deposits approximates their carrying value. Interest is not paid on these amounts.

Consumer deposits were transferred from the local Municipalities and not all accounts had consumer deposits. All new accounts holders are being charged a consumer deposit when consumers do open the account (bills/charges, in cases where the municipality opened an account to ensure completeness of billing, deposits might not have been paid).

14 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	82 447 712	84 669 206
Retention - On capital projects	7 334 384	3 862 015
Accounts Receivable	200 547	248 364
Other Payables	1 928 064	28 466
Unallocated Retention	121 749	83 565
Payments received in advance	1 835 621	9 311 842
Working for Water	-	480 743
Working for Wetlands	-	0
Joe Gqabi Economic Development Agency (JEDA) Ltd	105 535	509 742
Local Municipalities	4 978 389	5 237 292
Elandeni Local Municipality	456 572	456 572
Seshego Local Municipality	4 521 817	4 780 630
Total Payables from Exchange Transactions	108 750 018	103 405 513
Balance previously reported		97 131 305
Correction due to invoices received during 2017/2018 - Trade payables		
Reversalment of monies paid over by the Agency set off against expenditure incurred		509 742
Reversalment for retentions not previously recorded under payables		3 862 015
Reversalment of trade payables due to the duplication of an order subsequently corrected		(149 450)
Revised balance		101 583 621

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of payables on initial recognition is not deemed necessary.

The carrying value of payables approximates its fair value.

Deposits amounting to R144 961 (2017: R144 961) serve as security for Payables. The remainder of Payables are unsecured.

15 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	9 091 193	12 614 349
Less: Current Portion transferred to Current Liabilities	(1 504 675)	(5 947 344)
Total - At amortised cost using the effective interest rate method	7 586 518	6 667 005

Annuity loans at amortised cost are calculated at 10.00% - 11.52% interest rate, with the first maturity date of 30 June 2016 and the last maturity date of 31 December 2024. The loans are for

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
the main municipal building in Gantley East, water meters and sanitation infrastructure. A new finance lease was taken up with ABSA for twenty five (25) beddies and three (3) TLBs in the water service department and the period is 3 years only.		
Included in Non-current assets/impairments as per note 15 is an amount of R1 577 455 (2017 - R1 540 455) held as guaranteed by the DBSA.		

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year	2 218 605	2 189 587
Payable within two to five years	5 200 717	6 526 032
Payable after five years	1 453 275	2 422 126
	<u>8 872 601</u>	<u>11 137 745</u>
Less: Future finance obligations	(2 204 492)	(3 045 415)
Present value of annuity obligations	<u>6 668 109</u>	<u>8 092 330</u>

The obligations under finance leases are scheduled below:

Amounts payable under annuity loans:

Payable within one year	1 409 901	4 605 973
Payable within two to five years	1 108 216	
Payable after five years		
	<u>2 518 117</u>	<u>4 605 973</u>
Less: Future finance obligations	(78 276)	(77 054)
Present value of annuity obligations	<u>2 439 841</u>	<u>4 528 919</u>

17. GOVERNMENT GRANTS AND SUBSIDIES

Unconditional Grants	299 266 500	224 890 520
Equitable Share	299 160 000	224 621 000
LG Subs	106 500	1 269 520
Conditional Grants	297 977 058	340 768 305
SPMP Programme	2 227 000	1 478 000
Finance Management Grant (FMG)	1 269 958	1 269 904
Municipal Infrastructure Grant (MIG)	148 693 215	151 574 709
Water Services Infrastructure Grant (WSIG)	68 613 576	71 827 699
Regional Sub-Infrastructure Grant	6 000 000	9 738 895
Provincial Treasury drought relief programme	68 724 844	74 608 740
Public Works - Special Programme	23 226 495	24 001 747
Rural Roads Asset Management Grant	2 384 464	1 256 300
Department of Human Settlements	-	4 546 291
EC, Crime Investigation support grant	-	500 000
MIS Asset Management	957 400	-
Total Government Grants and Subsidies	<u>597 243 558</u>	<u>565 658 625</u>
Government Grants and Subsidies - Capital	182 635 748	250 801 095
Government Grants and Subsidies - Operating	414 607 810	314 857 530

The Municipality does not expect any significant changes to the level of grants.

Balance previously reported 30 June 2017	563 113 799
- Correction on under statement of operating conditions due to MIG expenditure	2 504 826
Restated balance	<u>565 618 625</u>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<u>Revenue recognised per vote as required by Section 123 (g) of the MFMA.</u>		
Equitable share	239 160 000	223 621 000
Management Services	957 000	900 000
Financial Services	1 249 958	1 249 984
Corporate Services	506 900	1 328 320
Technical Services	265 768 705	336 513 482
Community Services	-	-
Joe Gqabi Economic Development Agency (Soc) Ltd	-	-
	587 243 558	588 113 796

17.01 Equitable share

Opening balance		
Grants received	222 532 000	223 621 000
Conditions met - Operating	(222 532 000)	(223 621 000)
Conditions met - Capital		
Grant funds deducted for Unapproved rollovers		
Conditions still to be met/(Grant expenditure to be recovered)	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act No. 108 of 1996) to the Municipality by the National Treasury.

17.02 Finance Management Grant (FMG)

Opening balance	(123)	(139)
Grants received	1 250 000	1 250 000
Conditions met - Operating	(1 249 958)	(1 249 984)
Conditions met - Capital		
Monies returned to National Treasury		
Conditions still to be met	(82)	(128)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act, No 56 of 2003 (MFMA). The FMG Grant also goes for the cost of the Financial Management Incentive Programme (e.g. salary costs of the Financial Management Intern).

17.03 Regional Bulk Infrastructure Grant (RBIG)

Opening balances	2 608 890	4 235 910
Grants received	4 000 000	16 573 834
Conditions met - Operating		
Conditions met - Capital	6 000 000	9 728 835
Monies returned to National Treasury		
Conditions still to be met	2 608 890	2 608 890

The purpose of the grant is to support municipalities in implementing new systems as provided in the Municipal Systems Act, Municipal Structures Act and other related local government policy and legislation so that they can carry out municipal functions effectively.

17.04 Municipal Infrastructure Grant (MIG)

Opening balance	72	(27 219)
Grants received	159 725 000	151 602 000
Conditions met - Operating	(108 212 586)	(91 684 278)

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Conditions met - Capital	(46 480 083)	(87 585 605)
Human settlement project now funded by MIG	(10 091 781)	
Correction of understatement of Conditions met 2016/2017		(1 504 898)
Conditions still to be met		72,006,000
Balance previously reported 30 June 2017		2 504 898
- Correction of previously under statement of operating conditions met 2015/2016		2 504 898
Restated balance		2 504 898

The vision of the MIG programme is to provide all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. This also includes the rehabilitation and upgrading of existing infrastructure. The Municipality's programme covers both Sanitation and Water projects.

17.05 Public Works - Special Programme

Opening balance	(5 086 757)	(3 883 893)
Grants received	19 386 626	22 796 894
Conditions met - Operating	(23 226 495)	(24 091 747)
Conditions met - Capital		
Grant expenditure to be recovered	(9 036 426)	(5 088 757)

This grant is used for the maintenance of gravel roads in the Garies and Makswai parts of the district. At times special projects are also allocated to the Municipality by the Department of Roads and Public Works in other parts of the district.

17.06 Water Services Operating Subsidy

Opening balance	558	998 558
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Monies returned to National Treasury	-	998 000
Conditions still to be met	558	558

This grant is used for the refurbishment of water infrastructure.

17.07 Department of Human Settlement

Opening balance	(10 091 781)	(5 485 490)
Grants received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	(4 586 201)
Human settlement project now funded by MIG	10 091 781	-
Conditions still to be met/(Grant expenditure to be recovered)	(0)	(10 091 781)

This grant is used to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

17.08 Water Services Infrastructure grant

Opening balance	302	-
Grants received	64 500 000	71 828 000
Conditions met - Operating	(32 183 456)	-
Conditions met - Capital	(31 830 121)	(71 827 698)
Conditions still to be met	888 725	302

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
This grant is used to provide specific capital funding for the water service infrastructure. This grant replace the previous known Water Services Operating grant and Municipal Water Infrastructure grant.		
17.09 PT Drought programme		
Opening balance	(4 887 126)	(12 908 954)
Grants received	54 833 072	62 688 188
Conditions met - Operating	-	-
Conditions met - Capital	148 724 944	(74 608 740)
Foreign Exchange Gains	-	-
Grant expenditure to be recovered	1 221 001	(4 887 126)

This grant is used to provide for the upgrade of critical Water and Sanitation infrastructure.

17.10 Other Grants:		
Opening balance	163 189	(2 132 772)
Grants received	4 730 715	6 775 580
Conditions met - Operating	(3 368 364)	(4 458 618)
Conditions met - Capital	(2 227 000)	-
Grant expenditure to be recovered	(5 575 964)	163 189

Other Grants consist of the following and is utilised as follows:

EPWP Programme

Incentive grant for creating jobs, whereby unemployed persons get employed on projects to create employment.

Rural Roads Asset Management Grant (Public Transport)

This grant is to ascertain the extent of the municipal road network, the condition and maintenance requirements.

LG Seta

This grant is used to assist with the training needs of the Municipality.

Total Grants

Opening balance	(17 134 877)	(27 753 818)
Grants received	542 659 611	577 135 488
Conditions met - Operating	(105 753 890)	(114 316 628)
Conditions met - Capital	(134 862 748)	(148 197 148)
Paid back to funders/Provided for as investment	-	(988 507)
Grant expenditure to be recovered	(4 968 822)	(18 753 150)

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018: R	2017 R
<u>Disclosed as follows as per note 6</u>		
Unspent Conditional Government Grants and Receipts	2 776 732	4 928 408
Unspent Conditional Government Grants and Receipts	14 295 662	22 484 554
18 PUBLIC CONTRIBUTIONS AND DONATIONS		
Donated printers received	0	36 761
		<u>36 761</u>
Public contributions previously recognised		
Recognition of printers donated to the institution at transfer value		35 761
Required balance		<u>36 761</u>
19 ACTUARIAL (GAINS)/LOSS		
Post Retirement Medical Obligations - Refer to note 13.1	(7 386 090)	(6 405 399)
Ex Gratia Payments - Refer to note 13.2	(63 758)	2 610
Long Service Awards - Refer to note 13.3	(492 923)	(88 189)
Total Actuarial (Gains)/Losses	<u>(7 942 771)</u>	<u>(6 490 978)</u>
Actuarial gains or losses are calculated at year-end when the actuarial valuation is performed.		
20 REVERSAL OF IMPAIRMENTS		
Investment in Municipal Entity - note 12		
Total Reversal of Impairments		
21 SERVICE CHARGES		
Water	67 978 514	77 682 920
Sewerage and Sanitation Charges	31 592 954	37 527 893
	<u>99 571 468</u>	<u>115 210 813</u>
Less: Rebates (including free basic services for indigents)	(22 403 010)	(23 419 528)
Total Service Charges	<u>77 168 458</u>	<u>91 791 285</u>
Rebates can be defined in any manner that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
22 GOVERNMENT SERVICES		
Working for Water		982 966
Working for Wetlands	5 053 194	9 123 297
Total Government Services	<u>5 053 194</u>	<u>10 106 263</u>
23 INTEREST EARNED - EXTERNAL INVESTMENTS		
Call Investments Deposits	3 091 894	2 794 750
Primary Bank Account	928 361	514 687
Treasury Deposits		
Total Interest Earned - External Investments	<u>4 020 255</u>	<u>3 309 437</u>

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
24 INTEREST EARNED - OUTSTANDING DEBTORS		
Water Debtors	15 727 858	15 298 257
Sewerage Debtors	6 396 347	8 794 118
Total Interest Earned - Outstanding Debtors	22 124 400	24 092 375
25 OTHER INCOME		
Scraps Income	946 857	891 281
Administration Fee	395 904	470 825
Rental of Facilities and Equipment	9 252	15 332
Insurance claims	360 606	164 046
Total Other Income	1 714 020	981 182
Public contributions previously recognised		906 975
Recognition of Insurance Income due to replacement of asset paid for by insurance		12 207
Revised balance		981 182
26 EMPLOYEE RELATED COSTS		
Bonuses	10 625 420	10 336 311
Contribution to current employee benefits - Staff Leave - Note 12	3 894 280	3 385 056
Contribution to non-current employee benefits - Long Service Awards - Note 12	2 048 224	795 034
Contribution to non-current employee benefits - Post Retirement Medical - Note 12	2 007 439	2 601 985
Contribution to non-current employee benefits - Ex Gratia Gratuities - Note 12	33 885	29 779
Contributions for UIF, Pensions and Medical Aids	29 109 270	25 854 510
Salaries and Wages	128 723 044	117 929 759
Housing Benefits and Allowances	1 510 263	1 309 823
Overtime Payments	13 041 442	10 717 868
Performance Bonuses	5 057 942	1 630 097
Travel, Motor Car, Telephone, Subsistence and Other Allowances	13 472 287	13 480 976
Unemployment Fund	-	-
Workmans Compensation Contributions	-	-
Total Employee Related Costs	210 133 480	186 858 916

REMUNERATION OF MANAGEMENT PERSONNEL

The Municipal Manager and all Section 57 Managers as well as those directly reporting to the Municipal are appointed on a 5-year fixed contract.

Municipal Manager - Z A Williams

Salary and other allowances	1 654 728	1 558 511
Performance Bonuses 13-14	-	210 034
Performance bonuses 14-15	-	224 359
Performance Bonuses 15-16	522 757	-
Travel Allowance	-	64 200
Telephone Allowance	34 200	33 000
Contributions to UIF, Medical and Pension Funds	260 574	247 866
Total	2 252 159	2 338 091

Director Technical Services - R J Fortuin

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018	2017
	R	R
Salary and other allowances	1 328 234	1 303 683
Performance Bonus 13-14	-	179 560
Performance Bonus 14-15	-	190 706
Performance Bonus 15-16	274 344	-
Travel Allowance	233 480	170 220
Telephone Allowance	20 450	19 200
Contributions to UIF, Medical and Pension Funds	105 231	92 483
Total	1 959 689	1 954 253

Director Community Services - H Z Jongile

Salary and other allowances	1 262 889	1 306 784
Performance Bonus 13-14	-	153 049
Performance Bonus 14-15	-	160 706
Performance Bonus 15-16	274 344	-
Travel Allowance	84 000	84 000
Telephone Allowance	20 450	19 200
Contributions to UIF, Medical and Pension Funds	305 563	93 340
Total	1 946 696	2 047 599

An Acting Chief Financial Officer has been appointed effective 15 April 2015 until the position will be filled.

Acting Director Financial Services - S du Toit - Effective 15 April 2015

Salary and other allowances	1 150 414	1 143 345
Performance bonus 14-15	-	22 769
Performance Bonus 15-16	233 796	-
Acting Allowance	162 223	135 731
Travel Allowance	90 000	120 000
Telephone Allowance	20 400	19 200
Contributions to UIF, Medical and Pension Funds	61 836	57 278
Total	1 618 669	1 498 258

Director Community Services - F J Septhor

Salary and other allowances	1 487 997	1 579 425
Performance Bonus 13-14	-	178 380
Performance Bonus 14-15	-	190 706
Performance Bonus 15-16	274 344	-
Travel Allowance	156 000	156 000
Telephone Allowance	20 400	19 200
Contributions to UIF, Medical and Pension Funds	21 036	32 924
Total	1 959 876	2 146 734

Chief Operations Officer - N Mkhumbi

Salary and other allowances	1 084 433	1 013 046
Performance Bonus 13-14	-	151 990
Performance Bonus 14-15	-	163 310
Performance Bonus 15-16	233 495	-
Travel Allowance	50 000	50 000
Contributions to UIF, Medical and Pension Funds	257 401	243 462
Total	1 625 329	1 620 707

Manager Water Service provision Manager - D Luthwiler

Salary and other allowances	916 954	883 890
Performance Bonus 14-15	-	67 200
Performance Bonus 15-16	193 344	-
Contributions to UIF, Medical and Pension Funds	232 134	215 178
Total	1 342 432	1 166 268

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

27 REMUNERATION OF COUNCILLORS

	2018 R	2017 R
Councillors	5 164 248	4 564 284
Councillors' Pension and Medical Aid Contributions	788 486	612 640
Total Remuneration of Councillors	5 952 732	5 203 922

In-kind Benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor and the Speaker may utilize official Council transportation when engaged in official duties.

	Remuneration	Contributions	Total
Members of the Mayoral Committee	3 527 598	666 652	4 253 651
21 Dlamini - Executive Mayor	715 524	164 329	877 453
T2 Nkomo - Speaker	621 690	89 140	710 800
EM Likhosho - Portfolio Head: Finance	327 825	126 082	465 709
D Mkhosana - Portfolio Head: Community Development	348 355	79 653	467 209
S Mei - Portfolio Head: Technical Services	307 470	99 143	406 613
L Toloso - Portfolio Head: Corporate Services	506 929	108 050	685 983
Proportional elected Councillors	1 490 180	121 953	1 612 743
NU Hlokwane	505 268	90 553	595 823
N Ngwenzo	271 835	75 169	307 016
AM van Zyl	310 956	2 739	313 695
M Vilane	320 059	2 058	322 117
Representative Councillors	85 059	889	85 940
Total Councillors Remuneration	5 164 248	788 486	5 952 732

2017

Members of the Mayoral Committee	3 316 160	594 115	3 910 275
21 Dlamini - Executive Mayor	679 506	182 754	862 250
T2 Nkomo - Speaker	565 383	40 161	645 543
EM Likhosho - Portfolio Head: Finance	285 153	34 923	320 054
D Mkhosana - Portfolio Head: Community Development	247 837	17 972	265 809
S Mei - Portfolio Head: Technical Services	235 283	76 763	312 046
L Toloso - Portfolio Head: Corporate Services	402 788	99 562	502 350
Proportional elected Councillors	1 197 348	80 660	1 278 008
NU Hlokwane	493 282	34 514	527 796
N Ngwenzo	232 211	16 234	248 445
AM van Zyl	293 330	13 220	306 550
M Vilane	252 233	16 692	268 925
Representative Councillors	86 438	10 336	96 774
Total Councillors Remuneration	4 564 284	612 640	5 203 922

28 DEBT IMPAIRMENT

Contributions to provision - note 4	36 300 705	46 934 430
Less: Portion relating to VAT - note 5	(3 209 757)	(7 239 943)
Total Debt Impairment	32 990 948	39 694 487

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
29 IMPAIRMENTS		
Investment in Municipal Entity - note 10	-	-
Property Plant and Equipment - note 7	-	-
Investment Property - note 8	-	-
Intangible Assets - note 9	-	-
Total Impairments	-	-
30 DEPRECIATION AND AMORTISATION		
Property Plant and Equipment - Note 7	45 554 957	47 697 933
Investment Property - Note 8	45 496	45 446
Intangible Assets - Note 9	405 201	443 200
Total Depreciation and Amortisation	46 005 654	48 186 579
31 REPAIRS AND MAINTENANCE		
Repairs and Maintenance is measured as a line item from the Statement of Financial Performance with the implementation of mSOFIA as it does not reflect the nature of the expense. It is disclosed in various other expenditure line items as stated below:		
<u>GRAP 17 require disclosure of repairs and maintenance per asset class.</u>		
Infrastructure	1 905 936	10 941 062
Land and Buildings	553 945	373 157
Other Assets	2 112 551	697 826
Total Repairs and Maintenance	4 572 432	12 012 045
Repairs and Maintenance cost previously reported		12 055 068
Restatement of capital assets included under repairs and maintenance cost before		43 950
Restated Grants and Subsidies paid to Joe Gqabi Economic Development Agency		12 012 116
It should be noted that a substantial amount of Repairs and Maintenance that were done were reflecting under the Clearing and Ground expenditure votes as well as Employee related cost due to the fact that bulk of the repairs and maintenance are done internally.		
32 FINANCE CHARGES		
Long-term Liabilities	934 515	990 236
Finance Leases	279 828	467 750
Non-current Employee Benefits	4 532 957	4 458 120
Other	1 972	-
Total Finance Charges	5 649 272	5 916 106
33 CONTRACTED SERVICES		
Sanitation Services	14 871 932	14 441 985
Local Municipalities		
Other Contractors	14 871 932	14 441 985
Total Contracted Services	14 871 932	14 441 985
The other contractors relate to Heavy Scaffolding that has been done by outside contractors throughout the district for the year under review.		
34 BULK PURCHASES		

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Water	4 658 788	4 168 900
Total Bulk Purchases	4 658 788	4 168 900
35 GRANTS AND SUBSIDIES PAID		
Granting Local Municipality	-	108 861
Proper Burials	-	2 600
Joe Gqabi Economic Development Agency (SoC) Ltd	8 495 130	7 767 883
Total Grants and Subsidies Paid	8 495 130	7 879 344
Grant and subsidies paid to Joe Gqabi Economic Development Agency (SoC) Ltd		7 758 141
Restatement of Net/loss paid over by the Agency set off against expenditure incurred		506 741
Restated Grants and Subsidies paid to Joe Gqabi Economic Development Agency		7 767 883
The Economic Entity has been in the process of taking over water service provision from local municipalities. The grant paid to Joe Gqabi Economic Development Agency (SoC) Ltd (JugEDA) is in terms of the service level agreement with the MEC. This grant is used for operating activities by JugEDA.		
36 OPERATING GRANT EXPENDITURE		
Management Services	830 825	-
Financial Services	1 906 450	859 591
Corporate Services	102 202	1 133 305
Technical Services	119 417 333	89 736 882
Community Services	3 686 458	5 023 081
Total Operating Grant Expenditure	124 950 262	96 676 779
Total operating expenditure previously reported		71 608 211
Restatement of operating grant expenditure for loss incurred during construction of assets, now identified as operational of nature during		22 473 700
Restatement of expenditure included before as operating expenditure that was supposed to be capitalised		(5 333)
Restated Grants and Subsidies paid to Joe Gqabi Economic Development Agency		96 676 779
37 EMERGENCY DROUGHT RELIEF		
Water carting	1 054 614	321 936
Total Operating Grant Expenditure	1 054 614	321 936
38 GENERAL EXPENSES		
Advertising Fees	742 275	485 401
Audit Fees	5 842 136	5 106 458
Bank Charges	378 101	358 311
Chemicals	6 915 006	7 116 639
Consulting Fees	14 703 292	6 947 160
Cultivating and Coproduction	-	500 000
Entertainment	76 180	91 497
Fire Extinguishers	-	254 954
Fuel and oil	9 091 667	8 350 508
Insurance	4 070 422	5 185 828
IT Costs	930 790	454 019
Legal Fees	1 650 026	1 436 032
Labelling	409 627	338 189
Material and procedure clothing	643 935	234 195
Membership Fees	2 040 058	2 489 724

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Occupational Health	610 392	-
Other	2 575 165	2 245 822
Postage	14 799	4 003
Printing and Stationery	2 509 353	1 248 236
Rentals	1 457 555	678 688
Revitalising Urban	523 151	-
Security	3 952 837	3 216 899
Services	1 928	1 903
Shared Fire Services	888 743	-
Special Programmes	3 925 353	1 482 076
SPLUMA	30 850	31 857
Telephone	2 957 025	4 036 607
Tourism	26 329	-
Travelling	852 485	1 483 047
Travel and Subsistence	17 213 562	15 942 880
Vehicle Rental	1 833 513	2 456 911
Water and Electricity	11 944 969	9 745 791
Water Testing & Quality Monitoring	1 902 220	3 069 454
Total General Expenses	96 905 059	84 886 598
Grants and subsidies paid to Joe Gqabi Economic Development Agency (JoE) Ltd		84 987 964
Restatement of capital assets previously included in stationary costs		(23 975)
Restatement of capital assets previously included in Other general expenses		(5 433)
Restatement of capital assets previously included in Consultancy fees		(105 878)
Restatement of Other expenses due to it being capitalised before		11 489
Restated Grants and Subsidies paid to Joe Gqabi Economic Development Agency		84 865 589

The take over of water services from Gariep Local Municipality and Amatole Water Board resulted in changes in expenditure patterns to the prior year. The average increase in General expenditure is only 4% for the year. There has been a shift of spending between types of expenditure and not necessarily a material increase overall.

39 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Carrying value of Property, Plant and Equipment disposed or written off	1 927 883	575 578
Value recovered from insurance	(465 588)	-
Total Loss on Disposal of Property, Plant and Equipment	1 462 295	575 578

The loss on disposal of assets to the amount of R1 000 363 (R575 578- 2017) relates to assets that were written off.

39 CORRECTION OF ERROR IN TERMS OF GRAP 3

40.01 NET SURPLUS/(DEFICIT) FOR THE YEAR 2016

Certain errors were detected which relates to the prior year and were restated retrospectively. The effects of these restatements are listed below:

	2016 R
Surplus reported on 30 June 2016	1 450 512 990
General Expenses incurred due to invoices received late and dispute resolved - Refer to note 15	(1 934 591)
Restatement of salary related cost due to over payments in the past, debt was never created, however deductions were done	296 329
Restatement of the total Infrastructure Work in progress figures due to operational cost identified during the unbidding process - Refer to note 7	(45 998 915)

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Restatement of depreciation on 15/16 due to correction of error on RUL of water and sanitation infrastructure assets		264 528
Reclassification of unpaid monies due to an employee. The full payment was recognised against the expenditure and an other payable was created. Payment was done in May 2015 - Refer note 14.		73 105
Correction of understatement of depreciation/amortisation of investment property during the 2015/2016 financial year		(3 915)
Restated surplus for the year ended 30 June 2016		<u>1 409 311 474</u>
40.02 PAYABLES FROM EXCHANGE TRANSACTIONS		
Balance previously reported		76 670 511
Correction on understatement of Trade payables due to late receipt of invoices and a dispute that has been resolved - Note 38.1		1 934 591
Reclassification of unpaid monies due to an employee. The full payment was recognised against the expenditure and an other payable was created. Payment was done in May 2015.		(73 105)
Restated Balance on 30 June 2016		<u>78 532 097</u>
40.02 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Balance previously reported		50 765 369
		206 029
Correction of staff debtor balances not recognised prior to July 2016		
Restated Balance on 30 June 2016		<u>60 009 698</u>
40.03 PROPERTY PLANT AND EQUIPMENT		
Balance previously reported		1 492 421 806
Reclassification of capital expenditure previously recorded as part of WIP, now being classified as operational cost		(45 938 815)
Restatement of depreciation on 15/16 due to correction of error on RUL of water and sanitation infrastructure assets		264 528
Restated Balance on 30 June 2016		<u>1 446 687 449</u>
40.04 INVESTMENT PROPERTY		
Balance previously reported		2 528 755
Correction of the understatement of depreciation/amortisation on investment property for the 2015/2016 financial year		(3 915)
Restated Balance on 30 June 2016		<u>2 520 840</u>
41 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS		
Net Surplus/(Deficit) for the year	90 229 743	200 182 148
Adjusted for:		
Non-Cash Expenditure and Revenue	80 620 622	84 396 836
Actuarial Gains	(7 503 631)	(6 494 957)
Gain on disposal of PPE		
Disb. Impairment	(82 391 009)	(87 676 467)

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Depreciation and amortisation	49 158 883	48 181 428
Impairments		
Accrual losses		
Finance charges	4 682 957	4 428 120
Fair Value Adjustments		
Loss on disposal of PPE	1 442 285	575 378
Contributions - Provisions and Employee Benefits	22 608 547	22 892 142
Post Retirement Medical Benefits	6 595 388	6 400 291
Long Service Awards	2 465 916	1 076 166
Ex-Gratia	60 756	35 256
Performance bonuses	5 057 967	1 632 067
Bonuses	10 825 430	9 685 073
Staff leave	2 494 282	2 385 094
Compensation for injury on duty		
Other Provisions		59 493
Expenditure - Provision and Employee Benefits	(15 614 156)	(14 764 938)
Post Retirement Medical Benefits	(1 091 280)	(1 076 935)
Long Service Awards	(391 964)	(283 687)
Ex-Gratia	(27 996)	(108 438)
Performance bonuses	(2 614 845)	(2 687 740)
Bonuses	(10 609 795)	(9 386 775)
Staff leave	(1 868 266)	(1 370 351)
Compensation for injury on duty		
Other Provisions		
Other adjustments	7 987 605	(11 054 524)
Bad debts written off	7 987 605	(11 064 524)
Compensation for injury on duty (personality)		
Operating surplus before changes in working capital	193 833 361	181 443 856
Movement in working capital	(47 696 532)	46 813 867
Receivables from exchange transactions	(82 372 416)	59 356 367
Inventory	259 371	277 771
Payables from exchange transactions	5 304 905	(178 506)
Unspent Conditional Government Grants	(2 151 698)	3 912 263
Unspent Conditional government grants	7 797 888	6 606 433
Taxes	28 093 430	(23 060 601)
Cash flow from Operating Activities	144 734 939	228 157 623

41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - note 3	12 654 580	3 487 782
Less:		
Unspent Committed Conditional Grants - note 7	2 776 728	4 938 428
Net cash resources available for internal distribution	9 877 852	8 416 210

42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. The Amenity Loans carry interest of between 10% and 11.52% and will be repaid by 2026.

43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

Unauthorised expenditure

Reconciliation of unauthorised expenditure:

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Opening balance	164 753	164 753
Unauthorised expenditure current year - operating		
Unauthorised expenditure current year - capital		
Authorised by Council		
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	164 753	164 753

The municipality did not incur any unauthorised expenditure for the 2017/2018 and 2016/2017 financial periods.

44 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	717 807
Fruitless and wasteful expenditure current year	
Written off by Council	(717 807)
Transfer to receivables for recovery	
Fruitless and wasteful expenditure awaiting write-off approval	

Incident	Disciplinary steps
Invoice paid to Telkom	Note: The invoice was paid within 30 days of receipt of the invoice

45 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	9 192 359
Irregular expenditure - current and prior period identified in current year	63 219 408
Written off by Council awaiting reconsideration	(9 192 359)
Irregular expenditure	63 219 407,82

A contract was entered into between JGDMA and Mvula Trust utilising the Municipal SCM Regulation 32(1) which states that a SCM policy may allow the accounting officer to procure goods or services for the municipality under a contract awarded by another organ of the state, for managing the implementation of Rural Water and Sanitation Programme as an implementing agent. This was following a process allowed in terms of section 110 of the MSA. In March 2011 JGDMA participated in a Regulation 32 contract after establishing the below:

- A contract was required by the Eastern Cape Department of Human Settlements by means of a competitive bidding process applicable to the Eastern Cape Department of Human Settlements (organ of state) with Mvula Trust.
- In line with sub-regulation (1)(a) and (1)(b) the municipality had nominated there was no reason to believe that such contract was not duly procured by the Eastern Cape Department of Human Settlements.
- There were delinquent payments for the municipality to do so; and
- The Eastern Cape Department of Human Settlements, JGDMA and Mvula Trust had consented to such procurement in writing.

In application of Regulation 32, the municipality had a proper demand management plan in place that was based on the service delivery and budget implementation plan. As an implementing agent, Mvula Trust procured goods and services through the use of competitive bidding processes to select contractors and service providers.

The contract between Eastern Cape Department of Human Settlements and Mvula Trust expired in September 2013. The

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
contract of M&M expired in June 2016. It was further extended in line with section 135 of the MFMA and this was reviewed during the 2016/17 audit by the AG and determined as compliant.		

46 MATERIAL LOSSES

Water distribution losses

Kilo litres raw	14 435 490	14 980 712
Kilo litres treated	10 879 738	11 616 721
Kilo litres sold	(8 054 861)	(7 838 740)
Kilo litres lost during cleaning	3 561 753	3 563 990
Kilo litres lost from treated	2 819 877	3 577 982
Kilo litres lost from raw	6 381 125	6 741 972
Percentage water lost during cleaning	26,7%	24,4%
Percentage lost from treated vs billed	23,58%	28,85%
Percentage water lost since abstraction	44,30%	46,24%
Average cost per Millionlitre in Rand	7,19	7,38
Loss in Rand value (Raw)	45 890 518	49 735 753
Loss in Rand value (Treated)	20 271 323	23 458 507

The improvement in water losses is due to major reforestations and repairs to aging infrastructure as well as ongoing water restrictions to reduce demand so as to manage drought risks. This has been coupled with improved awareness around water conservation and demand management and also improvements in metering.

47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

47.01 SALGA Contributions - (MFMA 125 (1)(b))

Opening balance		
Current subscriptions	2 029 260	2 152 851
Amount paid - current year	(2 029 260)	(2 152 851)
Amount paid - previous years		
Balance (unpaid) (included in creditors)		

The prior year figure was updated with an amount of R208 791 due to additional subscription fees billed by SALGA.

47.02 Audit fees - (MFMA 125 (1)(b))

Opening balance	20 846	351 806
Current year audit fee	5 119 622	4 691 569
Amount paid	(4 958 976)	(4 670 655)
Amount paid - previous year	(20 846)	(351 806)
Balance unpaid (included in payables)	160 257	20 846

47.03 VAT - (MFMA 125 (1)(b))

Opening balance	32 688 430	9 625 826
Amounts received - current year	(57 588 828)	(8 827 258)
Amounts claimed - current year	33 495 416	31 238 245
Balance receivable (payable)	8 595 018	32 228 817

VAT is payable on the net price basis. Only once payment is received from the debtors is VAT paid over to SARS. Input VAT has also been claimed once payment has been made to a registered service provider. All VAT returns have been submitted by the due date throughout the year. Bill of the Claims for the 16/17 year was only paid to the Municipality during July 2017.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

2018
R

2017
R

contributing to the cashflow challenges we experienced. The amount receivable from SARS as at 30 June 2018 relates to the claims for the last 3 months of the financial year.

47.04 PAYE, SOD and UIF - (MFMA 125 (1)(b))

Opening balance		
Current year payroll deductions and Council Contributions	31 663 089	26 905 553
Amount paid - current year	(29 238 423)	(26 505 552)
Balance receivable	2 424 666	

47.05 Pension and Medical Aid Deductions - (MFMA 125 (1)(b))

Opening balance		
Current year payroll deductions and Council Contributions	40 180 082	35 348 757
Amount paid - current year	40 160 082	(35 348 757)
Balance unpaid (included in payables)		

47.06 Councilors' arrear consumer accounts - (MFMA 125 (1)(b))

There are no overdue councilor accounts.

48 Deviations - Supply Chain Management

Deviations with the Supply Chain Management Regulations were identified and categorised as follow:

- Emergencies	31 125 372	25 076 426
- Goods or services are produced or available from a single provider only		
- Other exceptional cases where it is impractical or impossible to follow the official procurement processes eg. Strip and	15 590 792	13 689 121
	46 716 164	38 765 547

Deviations per department

- Office of the Municipal Manager	1 301 795	39 305
- Financial Services	98 856	-
- Corporate Services	4 008 129	1 986 787
- Community Services	1 347 695	479 029
- Technical Services	27 436 710	35 236 426
- Expenditure incurred on behalf of JOGEDA	11 632 065	-
	46 716 164	38 765 547

49 CAPITAL COMMITMENTS

Commitments in respect of capital expenditures

Approved and contracted for:

- Infrastructure	110 900 915	370 224 005
Total	110 900 915	370 224 005

This expenditure will be financed from:

- Capital Replacement Reserve		
- Government Grants	110 900 915	370 224 005
- Own Resources		
Total	110 900 915	370 224 005

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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FINANCIAL RISK MANAGEMENT

The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value, interest rate risk, cash flow, interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance.

(a) Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions.

(b) Price risk

The Municipality is not exposed to price risk.

(c) Interest Rate Risk

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, **non-current** investments and loan payables.

The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include **refinancing**, renewal of current positions, alternative financing and hedging. Based on these scenarios, the Municipality calculates the impact that a change in interest rates will have on the **surplus/deficit** for the year. These scenarios are only simulated for cash and cash equivalents and **non-current investments** as the interest rate on loan payables are fixed.

The Municipality did not hedge against any interest rate risks during the current year.

The potential impact on the Municipality's surplus/deficit for the year due to changes in interest rates were as follows:

0.5% (2017 - 0.5%) Increase in interest rates
0.5% (2017 - 0.5%) Decrease in interest rates

The potential impact on the fair value of loan payable due to changes in interest rates is insignificant as the carrying value represents the fair value based on the underlying assets.

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or **non-financial** asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to **consumer** and grant debtors.

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of **consumers**, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these **receivables**. Credit risk pertaining to debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer receivables the Municipality effectively has the right to terminate services to customers, but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "**handed over for collection**", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All services are payable within 30 days from invoice date. Refer to note 35 for all **balances outstanding** longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

No receivables are pledged as security for financial liabilities.

The Municipality only deposits cash with major banks with high quality credit standing. No cash and cash

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure is disclosed below.

The bank utilized by the Municipality for current and non-current investments are all listed on the JSE (JSE Bank). The credit quality of these institutions are evaluated based on their regular S&P's releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

Although the risk pertaining to unpaid conditional grants and subsidies are considered to be very low, the maximum exposure is disclosed below. Amounts are receivable from national and provincial governments and there are no expectation of counter party default.

Receivables from exchange transactions are individually evaluated annually at financial period date for impairment or deteriorating. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. The maximum exposure is disclosed below.

Financial assets exposed to credit risk at year end are as follows:

	2018 R	2017 R
Receivables from Exchange Transactions	154 075 734	117 291 465
Cash and Cash Equivalents	12 654 580	2 184 986
Non-current Investments	3 571 508	3 477 508
Unpaid Conditional Grants and Subsidies	14 395 662	22 163 551
	<u>184 697 484</u>	<u>145 117 509</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the Economic Entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

Long Term Liabilities	7 505 318	5 467 095
Capital repayments	9 090 193	12 654 369
Interest	(1 584 875)	(7 187 344)
Payables from exchange transactions	108 750 018	103 445 112
Unpaid Conditional Government Grants and Receipts	2 779 788	4 928 429
	<u>118 939 031</u>	<u>113 640 546</u>

FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the Municipality are classified as follows:

Financial Assets

Financial Instruments at amortised cost

Non-Current Investments	3 571 508	3 477 508
- Fixed Deposits (Zero coupon)	1 677 453	1 583 453
- Municipal Entity - Joe Gqabi Economic Development Agency (Sec) Ltd	1 894 055	1 894 055

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
Receivables from Exchange Transactions	154 075 734	117 230 465
Cash and Cash Equivalents	12 654 540	2 184 904
Unpaid Conditional Government Grants and Receipts	14 395 662	22 163 551
Total carrying amount of financial assets	181 125 936	141 578 920

Financial Liability

Financial instruments at amortised cost

Long-term Liabilities	7 506 318	6 687 005
Trade and Other Payables	106 750 019	109 445 113
Current Portion of Long-term Liabilities	1 584 875	5 547 544
Unpaid Conditional Government Grants and Receipts	2 776 738	4 938 428
Total carrying amount of financial liabilities	128 617 950	126 618 090

51 EVENTS AFTER THE REPORTING DATE

The council approved the payment of Performance bonus for the period 2016/2017 based on a formal prescribed assessment that was done during July 2018.

52 IN-KIND DONATIONS AND ASSISTANCE

The following in-kind donations were received:

A Soccer kit for the soccer team of the District municipality with an approximate value of R20 000.

53 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

54 CONTINGENCIES

Council has the following contingent liabilities at the end of the financial year 2017/2018:

Outstanding litigation claims

A claim was filed against the Municipality by a service provider disputing the award of a tender to another service provider. Judgment was received on the 26th of May 2016 in favour of the municipality, however the plaintiff has appealed the whole judgement. Judgment was received in the favour of the municipality again from a full bench appeal and the plaintiff has opt to appeal again. The court has ruled that the bid must be readvertised during 2017/2018.

The Municipality was contesting a labour matter in respect of its junior fire fighters. The labour court reviewed and set aside the decision of the commissioner to pay the employees the amounts of and referred the matter back to arbitration before a new commissioner. The matter sat on arbitration and the employee representative raised points in time which resulted to the commissioner dismissing the application on grounds of prescription but advising the employees to apply for condonation should they want to pursue the matter. They applied for condonation to SALGEC and the application was dismissed on 10 April 2017. Currently the employees have filed an application to review or set aside the decision of the commissioner who dismissed the application.

In addition, the Commissioner also issued an award that the 28 junior fire fighters be paid an amount of R233 820 each based on T&M grading. This arbitrator's award has also been referred for review. This matter will was suppose to sit on the 25th and 26th of October 2016, however the case was removed from the roll on the date in question due to the issues surrounding the non-filing of the notice by the Bargaining council as well as the junior fire fighters attorneys. Their attorneys of record withdrew subsequently and to date we have not received a new date from the labour court.

The Municipality is contesting a claim for damages amounting to R754 702. The claim was lodged by Mr B Rammer and his

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

	2018 R	2017 R
<p>spouse for damages, pain and suffering and future medical costs. The claim relates to a motor vehicle accident wherein the vehicle was damaged when entering a site in Altwal North. The site relates to diggings on a road for the purpose of effecting repairs to water infrastructure. The complainant believes that the Municipality is responsible for the accident that occurred. The Municipality is contesting the claim and the matter has been set down for trial on the 11 October 2018 and then was removed from the roll on basis of they wished to file their expert witness evidence. The municipality is awaiting the new trial date.</p> <p>The Department of Water and Sanitation is claiming an amount R37 660 353 from the Municipality for raw water extraction costs. This amount is made up of a number of invoices, dating back as far as 2002. The Municipality has had extensive discussions with the Department, but this amount has not been finalised. The Municipality's Management is of the opinion that this amount is firstly grossly overstated and in some cases refers to areas outside the District's jurisdiction. An amount of R10 551 558 for bulk water purchases has been made and this amount is considered to be due and payable to the Department. The net amount of the contingency is R27 108 801. The Municipality is in ongoing negotiations with the Department. The Department submitted a request to its Minister and Director General to write off the amount. This decision is still pending. The Department is also considering drought relief measures for the current year's raw water extraction costs. This decision is also pending.</p> <p>A summons and a notice of intention has been filed against the municipality. This matter relates to an employee of the municipality had an accident and a house of a resident was damaged in the process. The Municipality considers the likelihood of the case being lost by the Municipality as being medium. This matter is awaiting a court date. The claim amounts to R272 555.</p> <p>There was an accident which occurred between a vehicle of Senzo Municipality and a truck driven by an employee of the Municipality. The Insurance is claiming for damages from the municipality and the municipality is contesting the claim. This matter is pending before court for trial. The claim amounts to R485 661.</p> <p>A claim was filed against the Municipality by a service provider for services rendered. Council has filed a counter claim. The Municipality considers the likelihood of the case being lost by the Municipality as being low. No court date has been set as on the reporting date. The claim amounts to R800 000.</p> <p>There is an evulsion claim for a property the municipality believes to belong to the municipality. The claim amounts to R36 000.</p> <p>Other matters: There is a claim from Tefom for infrastructure damages to the value of R110 000. There is another claim from a service provider for services rendered that are contested by the municipality to the value of R376 000. Ditsikhe Trading and Investments vs JGDML claimants wants the matter to be arbitrated instead of appointing another service provider.</p> <p>Jozana community development trust has lodged a claim against the Minister of Rural Land and reform to allow the development of the eco-tourism project at the Jozana Dam and the municipality is cited only as a District Municipality since the claimant believes the dam falls under this Municipality. It is however a DWS owned dam.</p> <p><u>Council has the following contingent assets at the end of the financial year 2017/2018:</u></p> <p>The municipality identified possible fraud which is currently under investigation by the SAPS and the outcome is unsure at this stage. The matter has been referred to the Municipal accountants to claim from the medical aid scheme in question. No court date has been set on the reporting date.</p> <p>A case against a former employee has been before labour court for fraud. The matter has been finalised and a debt was created during 2016/2017. This debt was paid off during 2017/2018.</p>		

RELATED PARTIES

No business transactions took place between the Municipality and management personnel and their close family members (including close members of family members) during the year under review with the exception of Ekobene Community Radio station to the value of R2500. Thabo Mochi and Cili Phisoa are non-executive directors.

Related Party Loans

Since 1 July 2008 loans to Councillors and Senior Management Employees are not permitted.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

2018	2017
R	R

Compensation of management personnel

The compensation of management personnel is set out in note 26 and 27 to the financial statements.

Investment in Municipal Entity

The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Pty) Ltd (JGEDA) as set out in note 12 to the financial statements. The Municipality incurred expenditures on behalf of JGEDA. Refer to note 11 for the detail of the expenses.

The Municipality paid a grant to JGEDA as disclosed in note 35.

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

30 NATIONAL TREASURY APPROPRIATION STATEMENT

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
Financial Performance						
Services charges and other municipal revenue	140 596 382	49 025 589	189 621 971	77 147 653	108 194 487	31 571 035
Transfers recognised - government transfer from revenue	17 118 000	7 505 000	24 623 000	26 785 248	17 762 248	27 405 821
Total Operating Revenue	157 714 382	56 530 589	214 244 971	103 932 901	110 312 070	58 976 856
Employment costs	109 503 454	11 420 174	120 923 628	2 601 199 888	11 962 050	200 878 036
Revaluation of assets/liabilities	7 052 894	13 509 930	20 562 824	5 055 852	13 509 930	13 509 930
Debt, impairment	20 875 143	45 247 143	66 122 286	33 982 029	32 140 257	57 475 469
Contribution to other departments	46 028 075	248 134	46 276 209	49 238 547	12 995 642	40 182 428
Revenue changes	3 293 867	11 286 500	14 580 367	5 645 888	4 942 307	7 935 126
Materials and bulk purchases	9 000 000		9 000 000	4 408 788	4 591 212	4 265 500
Contracted services	111 407 109	15 011 120	126 418 229	24 672 552	140 245 656	81 443 595
Transfer and grants	10 505 539	18 015 539	28 521 078	6 055 130	12 465 948	7 975 840
Other expenditure	106 578 288	114 462 000	221 040 288	272 015 405	151 475 117	121 275 162
Loss on disposal of PPE				1 442 705	1 442 705	5 25 578
Total Expenditure	518 271 972	73 237 132	591 509 104	585 167 535	2 574 056	592 171 378
Surplus/(Deficit)	68 932 990	12 647 729	81 580 715	20 127 965	11 182 745	38 059 732
Transfers recognised - capital	254 125 000	139 050 000	393 175 000			
Surplus/(Deficit) for the year	245 222 010	122 402 260	367 624 270	39 821 526	5 358 306	70 015 570

JOE GQABI DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

55 NATIONAL TREASURY APPROPRIATION STATEMENT (CONTINUED)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
Capital expenditure & funds sources						
Capital expenditure	258 546 000	(21 259 052)	237 286 947	225 851 328	106 805 629	236 856 582
Transfers recognised - capital	234 154 000	(30 050 000)	204 104 000	232 625 146	55 425 252	230 403 000
Indirectly governed funds	4 391 000	7 700 047	12 091 047	1 700 000	10 391 047	1 088 226
Total sources of capital funds	258 546 000	(21 259 052)	237 286 947	234 325 146	59 025 866	232 190 226
Cash flows						
Net cash flows (used) operating	265 362 100	(3 342 463)	262 019 637	146 754 800	54 425 271	258 254 347
Net cash flows (used) investing	(258 546 000)	40 457 194	(218 088 806)	(125 541 118)	25 047 618	(236 204 282)
Net cash flows (used) financing	(5 025 000)	-	(5 025 000)	(7 001 100)	(25 026 100)	(5 825 876)
Net Cash Movement for the year	48 146	6 214 631	6 406 705	30 142 582	(2 600 929)	(1 869 227)
Cash/cash equivalents at beginning of year	1 421 546	(5 989 325)	(3 467 779)	(3 467 779)		2 423 546
Cash/cash equivalents at the year end	2 903 050	305 573	3 208 623	12 664 580	(9 445 957)	(1 467 781)

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX A (UNAUDITED)

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018

EXTERNAL LOANS	Rate	Loan Number	Redemptible	Maturity Date	Balance at 30 June 2017	Received during the period	Redeemed during the period	Balance at 30 June 2018
					R	R	R	R
ANNUITY LOANS								
ABSA - Building - 1175 Graham and Gans Street, Bloemfontein	11.8%	820678	6 months	31 Dec 2018	4 776 750	-	424 735	4 352 015
ABSA - Office main loan	10.75%		6 months	31 March 2019	1 040 870	-	936 308	1 004 562
Total Annuity Loans					5 817 620	-	1 419 025	4 392 595
FINANCE LEASE								
ABSA - PORTFOLIO	Prime		Monthly	30 years	4 269 000	-	1 007 135	3 261 865
Total Finance Lease					4 269 000	-	1 007 135	3 261 865
TOTAL EXTERNAL LOANS					10 086 620	-	2 426 160	7 660 460

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX B (UNAUDITED)

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2018

	Department						Municipality Capital Assets						Total
	Accounting Package	Accounting Package	Accounting Package	Accounting Package	Accounting Package	Accounting Package	Accounting Package	Accounting Package	Accounting Package	Accounting Package	Accounting Package		
Water and Sewerage													
Land	2 500 000						1 250 000					1 250 000	
Infrastructure	12 500 000						12 500 000					12 500 000	
	15 000 000						13 750 000					13 750 000	
Electricity													
Development - Infrastructure	1 500 000						1 500 000					1 500 000	
Infrastructure	1 500 000						1 500 000					1 500 000	
	3 000 000						3 000 000					3 000 000	
Other Assets													
Other Assets	2 500 000						2 500 000					2 500 000	
Other Assets	2 500 000						2 500 000					2 500 000	
	5 000 000						5 000 000					5 000 000	
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JOE GQABI DISTRICT MUNICIPALITY

APPENDIX C (UNAUDITED)

SEGMENTAL STATEMENTS OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2018

VOTE	30 JUNE 2017			30 JUNE 2018		
	REVENUE R	EXPENDITURE R	SURPLUS/(DEFICIT) R	REVENUE R	EXPENDITURE R	SURPLUS/(DEFICIT) R
Management Services	900 000	46 305 256	(45 405 256)	-	15 495 720	(15 495 720)
Financial Services	344 428 200	62 038 688	282 389 512	344 847 343	77 792 422	267 054 921
Corporate services	7 731 457	45 236 522	(37 505 065)	8 376 325	48 799 114	(40 422 789)
Technical Services	330 527 735	122 785 652	207 742 083	226 165 494	328 472 500	(102 307 006)
Community Services	66 500 690	48 333 971	18 166 719	3 653 054	45 122 462	(41 469 408)
Informational Systems and Administration	-	-	-	257 400	11 265 510	(10 998 110)
TOTAL	702 310 282	502 250 152	200 060 130	655 397 378	565 167 536	90 229 742

APPENDIX D (UNAUDITED):

	Quantity received	Available for sale existing portfolio	Repurchase agreement subject	Options received	Available for sale	Repurchase agreement	Transferred to Available for sale	Available for sale	Other
	A	B	C	D	E	F	G	H	I
REVENUE (CONTINUED)									
Interest income	48,325		33,375		1,582,198	40,552,741	29,258,638	29,258,638	47,382
Interest expense	(4,476,438)	(1,912,432)	3,749	(2,487,115,689)		(5,368)		1,792,988	
Other income	1,741		3,749						
Other expense	(26,548)			(2,487,115,689)	(6,651,689)	(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			
Net income	5,111		35,373						
Other income	5,111		35,373						
Other expense	(26,548)			(2,487,115,689)		(788,242,619)			

Manuscript accepted 15 May 2006

00-228-1706

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX E (1) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATE OUTCOME 2017 R
REVENUE						
Management Services	1 010 000	12 010 000				500 000
Financial Services	244 340 000	501 000	244 741 000	244 847 340	(100 100 680)	244 330 000
Customer Services	1 597 200	100 000	2 690 000	8 374 330	(6 774 630)	7 739 477
Technical Services	501 500 000	55 200 000	557 466 000	296 165 000	(261 301 000)	339 526 700
Community Services	14 821 000	12 200 000	8 622 000	3 079 100	(5 542 900)	10 100 000
Multisectoral Support (WMA Administrators)	857 400	-	857 400	507 400	(350 000)	-
Total Revenue by Vote	763 502 982	50 894 852	814 397 834	655 397 278	159 000 556	702 310 282

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX E (1) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
EXPENDITURE						
Management Services	46 324 004	(4 095 164)	42 228 840	42 061 129	76 711	46 308 301
Financial Services	50 695 713	48 179 748	98 875 462	98 129 788	745 674	98 089 688
Corporate Services	51 845 007	(2 170 872)	49 674 135	46 709 118	2 965 017	45 251 012
Technical Services	277 368 287	59 147 627	336 515 914	330 690 843	5 825 071	291 768 635
Community Services	64 052 646	(10 576 768)	53 475 878	49 151 060	4 324 818	48 691 071
Housing and Urban Development	18 692 825	(4 495 441)	14 197 384	15 773 895	1 576 511	-
Total Expenditure by Vote	518 271 972	73 297 132	591 569 103	565 167 536	26 401 568	502 250 152
Surplus/(Deficit) for the year	245 231 010	(22 402 280)	222 828 730	90 229 742	132 598 988	200 060 130

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX E (2) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATED OUTCOME 2017 R
REVENUE BY SOURCE						
Service charges	135 000 268	48 023 565	183 023 833	77 127 636	105 896 197	51 573 030
Rental of facilities and equipment	0 000	-	0 000	-	0 000	-
Interest earned - external investments	4 040 000	10 000 000	14 040 000	4 620 544	(580 544)	3 300 457
Interest earned - outstanding debtors	13 972 000	7 575 000	21 547 000	22 129 486	(1 471 486)	24 062 676
Agency services	952 000	-	952 000	-	952 000	-
Transfers received - regeneration	500 424 400	50 170 000	550 594 400	404 007 510	(146 586 890)	314 019 629
Other revenue	598 284	104 289	702 573	14 170 621	(13 468 048)	17 661 941
Total Revenue (excluding capital transfers and contributions)	509 347 952	85 964 852	595 312 804	522 761 530	72 551 274	451 552 432

JOE GQABI DISTRICT MUNICIPALITY

APPENDIX E (2) (UNAUDITED)

NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

REVENUE AND EXPENDITURE

	ORIGINAL BUDGET 2018 R	BUDGET ADJUSTMENTS 2018 R	FINAL BUDGET 2018 R	ACTUAL OUTCOME 2018 R	BUDGET VARIANCE 2018 R	RESTATE OUTCOME 2017 R
EXPENDITURE BY TYPE						
Employment related costs	186 901 356	11 820 157	198 721 513	220 031 486	(21 309 973)	186 966 916
Reconstruction of infrastructure	7 142 894	(1 649 832)	5 493 062	5 953 132	(460 070)	5 293 912
Debt repayment	50 845 142	42 447 042	93 292 184	51 981 000	41 311 184	37 619 467
Capital equipment & asset acquisition	45 820 678	(246 116)	45 574 562	49 150 553	(3 575 991)	48 186 628
Finance charges	2 252 583	(2 290 589)	(37 006)	5 645 666	(5 682 672)	5 915 126
Bank charges	9 030 000		9 030 000	9 158 788	(128 788)	9 163 706
Contracted services	112 057 545	43 111 420	155 168 965	14 591 933	140 577 032	14 481 985
Transfers and grants	56 975 339	(8 024 894)	48 950 445	4 295 183	44 655 262	7 879 844
Other expenditures	118 916 105	(14 392 036)	104 524 069	272 065 305	(167 541 236)	191 275 433
Loss on disposal of PPE				1 442 283	(1 442 283)	599 678
Total Expenditure	518 271 972	73 297 132	591 569 103	565 167 535	26 401 568	502 171 278
Surplus/(Deficit)	(8 923 990)	12 687 720	3 763 730	(42 406 006)	46 169 736	(50 618 946)
Transfers recognised - Surplus	214 111 000	(91 040 000)	123 071 000	132 635 748	(9 564 748)	230 801 999
Contingent liabilities recognised - Surplus						
Surplus/(Deficit) for the year	245 231 010	(22 402 280)	222 828 730	90 229 743	132 598 988	200 183 149

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